

Theory and Practice of the Welfare State in Europe

Session 03 and 04

Ryszard Szarfenberg Ph.D. Hab.

Institute of Social Policy

Course web page

www.ips.uw.edu.pl/rszarf/welfare-state/

Development of the Welfare State



CYCLE of the WORKING DAY

Eight hours for work!
Eight hours for sleep!
Eight hours for home
and citizenship!



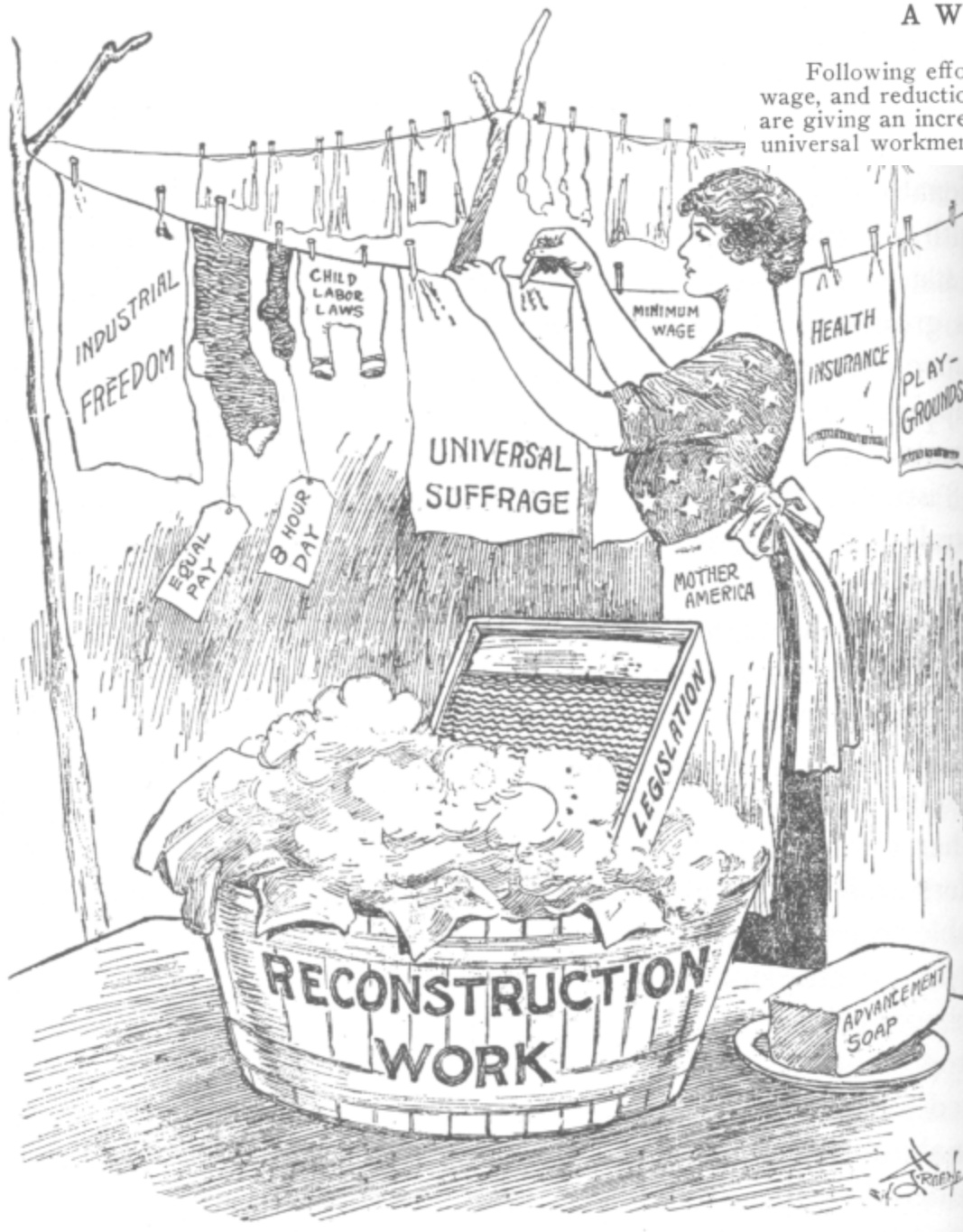
"PROTECTED!"

This workingman's family is ready for the inevitable "rainy day" caused by sickness.

USA, 1922, T. Skocpol, *Protecting Soldiers and Mothers*, p. 315

A WOMAN'S WORK IS NEVER DONE

Following efforts for regulation of child labor, establishment of the living wage, and reduction of the working day, progressive organizations of all types are giving an increasingly prominent place on their programs to legislation for universal workmen's health insurance.



Country	Per Capita GNP (1985 \$)	Growth Rate	Men's Height	Life Expectancy	Literacy Rate (%)	Percentage Urban
<i>Date: 1800</i>						
United Kingdom	1,301	0.1	168.9	36.1	52.2	33.6
United States	828	0.5	172.9	46.8	72.4	6.1
France	700	0.3	163.7	34	40	19
Netherlands	876	0.0	167.8	34.1	75	37
Sweden	808	0.1	167.0	39.2	82.5	9.8
Germany				37	83.5	23.3
Australia						
Japan	575	0.1	157.1	36	20	14
<i>Date: 1850</i>						
United Kingdom	1,943	1.6	165.3	39.5	61.3	53.4
United States	1,179	1.5	171.1	39.5	78.0	15.3
France	1,150	1.3	164.7	40	58	26
Netherlands	1,551	0.2	167.4	37.3	75	39
Sweden	871	0.9	168.2	43.9	90.0	10.1
Germany	835	0.0	162.6	37.1	95	32.3
Australia	2,517	1.8	172.7	46	45	34
Japan	606	0.1	155	38	25	34.5
<i>Date: 1900</i>						
United Kingdom	3,792	1.3	169.3	48.0	97	77.7
United States	3,824	2.3	170.0	47.8	89.3	39.7
France	2,250	1.3	166.6	46.8	95	41
Netherlands	2,842	0.9	170.0	49.0	90	49
Sweden	1,895	2.4	172.5	52.9	100.0	21.5
Germany	1,743	1.5	169	44.4	99.9	53.8
Australia	4,100	0.9	170.9	55	80	52
Japan	947	1.0	157	44	75	54.5
<i>Date: 1950</i>						
United Kingdom	5,628	0.9	174.1	69.0	100.0	80.7
United States	8,588	2.1	177.1	68.2	97.4	59.0
France	4,149	4.0	172.3	66.8	99	55
Netherlands	4,706	3.4	178.1	71.3	100	71
Sweden	5,834	2.4	177.9	71.4	100.0	46.6
Germany	2,554	6.4	176.3	66.5	100.0	71.1
Australia	5,931	2.4	173.8	69.5	98	70
Japan	1,563	1.5	162	58	100.0	75.2

Socioeconomic Indicators by Country and Date

Country	Approximate Dates	Per Capita GNP (1985 \$)	Growth Rate	Men's Height	Life Expectancy	Literacy (%)	Percentage Urban
<i>Phase: Preindustrial</i>							
United Kingdom	1720–60	1,172	0.4	165.1	33.7	48.9	22.6
United States	1800–1820	872	0.4	173	45.3	72.9	6.9
France	1800–20	952	0.1	164.1	36	41	19
Netherlands	1830–50	1,469	0.1	164.0	35	75	38
Sweden	1830–50	832	0.5	168.0	42.1	87.5	9.7
Germany	1830–50				36.9	91	30.5
Australia	1840–60	1,994	1.6	172.5	46	45	30
Japan	1868–80	775	0.2	155.3	36	25	34.5
<i>Phase: Early Industrial</i>							
United Kingdom	1760–1800	1,263	0.2	168.2	36.0	50.2	29.4
United States	1820–50	1,025	0.9	172.4	41.7	75.6	10.5
France	1820–50	976	1.3	164.4	39.3	49	22
Netherlands	1850–70	1,807	0.5	165.9	40	80	44
Sweden	1850–70	980	1.2	169.1	43.9	92.5	11.2
Germany	1850–70	972	1.5	166.2	37.6	95	34.4
Australia	1860–90	3,425	1.8	172	48	55	42
Japan	1880–1900	875	1.0	157	38	70	50
<i>Phase: Middle Industrial</i>							
United Kingdom	1800–1830	1,422	0.6	170.7	38.6	54	38.7
United States	1850–80	1,727	2.5	170.6	40.9	80.3	22.3
France	1850–80	1,400	1.3	165.4	41	67	31
Netherlands	1879–1900	2,453	1.1	168.6	45	85	46
Sweden	1870–1900	1,466	1.8	171.4	49.3	98.2	17.2
Germany	1870–90	1,371	1.6	167.5	38.9	98.5	43.6
Australia	1890–1920	4,263	0.8	172	59.2	80	53
Japan	1900–1920	1,100	2.0	158.8	44	75	60
<i>Phase: Late Industrial</i>							
United Kingdom	1830–70	2,770	2.2	166.9	49.5	64.5	54.1
United States	1880–1910	3,539	2.2	170.2	45.6	87.8	37.2
France	1880–1910	2,050	1.3	166.7	45.5	90	39
Germany	1890–1913	1,885	1.3	169.7	46.8	100.0	56.1
Netherlands	1900–1925	3,718	0.5	172.0	55.2	98	56
Sweden	1900–1925	2,423	2.2	173.5	57.4	100.0	25.7
Australia	1920–40	5,170	0.7	173.2	65.4	90	60
Japan	1920–40	1,320	2.2	160	47	96	75.5

Socioeconomic Indicators by Country and Phase of Industrialization

Early Modern Social Policies 1880-1929

Nation	Workmen's compensation	Old-age pensions or insurance	Sickness insurance	Unemployment insurance	Labor regulations for men*	Labor regulations for women	Mothers' pensions
Germany	1884	1889	1883	1927	No	1908	No
Australia	1900-1914 Laws in all 6 Australian states	1908	No	No	Hour laws by late 19th century Arbitration of industrial disputes Minimum wage from 1919		No
New Zealand	1900	1898	No	No	Hour laws by late 19th century Arbitration of industrial disputes Minimum wage from 1918		1912
Britain	1906	1908 1925	1911	1911 1920	Trade Boards 1909-1918 for minimum wages	Hour laws from 19th century; Trade Boards for minimum wages	No
United States	1911-1920 42 states 1920s 2 more states	No (except 6 states in 1920s)	No	No	No	Hour laws in 41 states by 1929 Minimum wage laws, 1912-23, in 15 states	1911-1920 40 states 1920s 4 more states

* Laws applying only to special dangerous occupations are not included here.

Origins of the welfare state - Chris Pierson's three criteria

- **First introduction of social insurance** - widely used indicator of welfare state development
- **The extension of citizenship and the depauperization of public welfare** - indices of this extension of citizenship are the dates of the inauguration of male and universal suffrage and the date at which the receipt of public welfare becomes not a barrier to political participation but a benefit of full citizenship.
- **Growth of social expenditure** - 3 per cent of GDP as a notional indicator of the origins of the welfare state

Table 4.1 Introduction of social insurance (OECD) countries

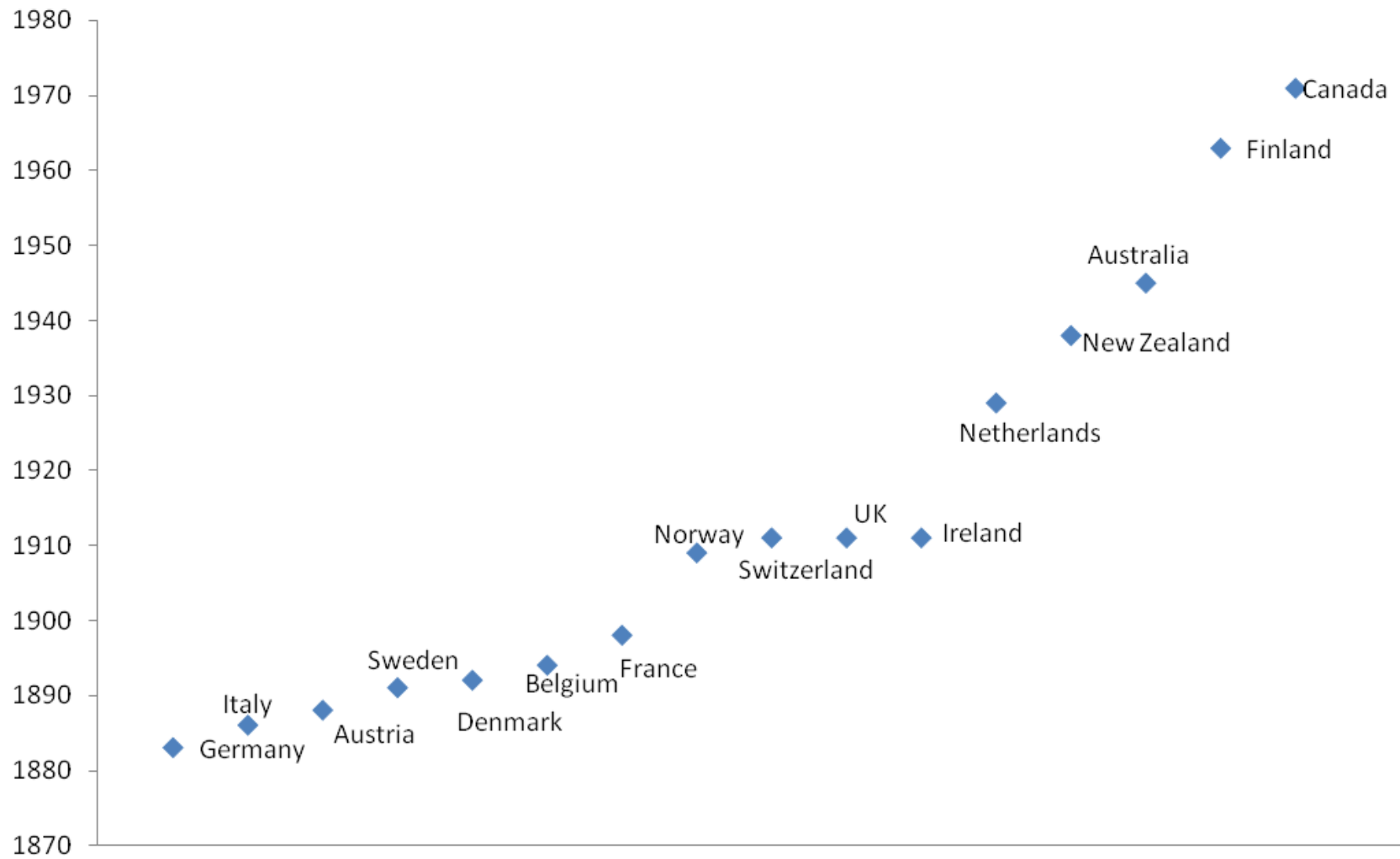
	<i>Industrial accident</i>	<i>Health</i>	<i>Pension</i>	<i>Unemploy- ment</i>	<i>Family allowances</i>
Belgium	1903	1894	1900	1920	1930
Netherlands	1901	1929	1913	1916	1940
France	1898	1898	1895	1905	1932
Italy	1898	1886	1898	1919	1936
Germany	1871	1883	1889	1927	1954
Ireland	1897	1911	1908	1911	1944
UK	1897	1911	1908	1911	1945
Denmark	1898	1892	1891	1907	1952
Norway	1894	1909	1936	1906	1946
Sweden	1901	1891	1913	1934	1947
Finland	1895	1963	1937	1917	1948
Austria	1887	1888	1927	1920	1921
Switzerland	1881	1911	1946	1924	1952
Australia	1902	1945	1909	1945	1941
New Zealand	1900	1938	1898	1938	1926
Canada	1930	1971	1927	1940	1944
USA	1930	—	1935	1935	—

These figures include schemes which were initially voluntary but state-aided as well as those that were compulsory.

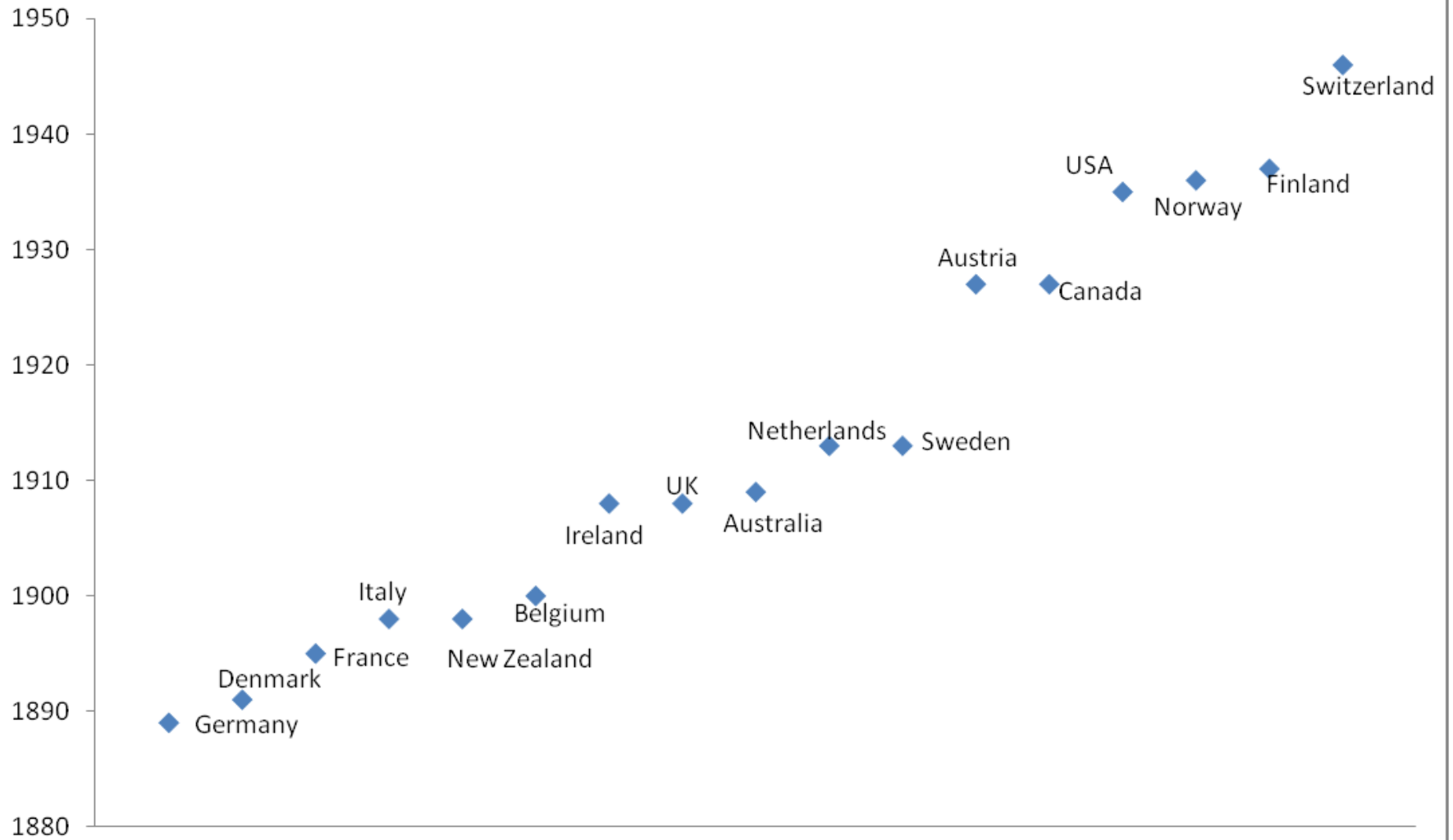
Industrial accident



Health



Pension



Unemployment



Family allowances



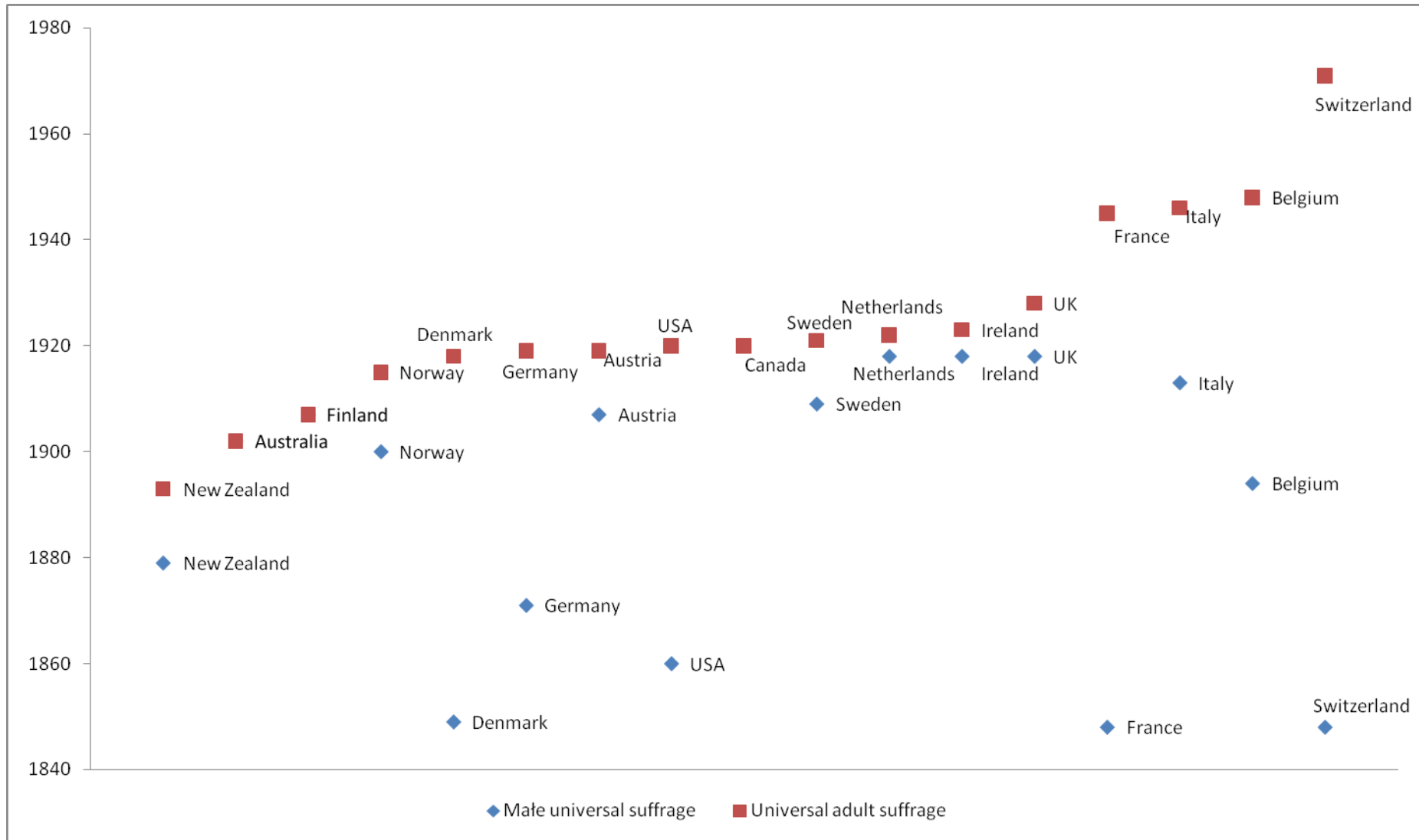
Expansion of citizenship

	<i>Male universal suffrage</i>	<i>Universal adult suffrage</i>
Belgium	1894	1948
Netherlands	1918	1922
France	1848	1945
Italy	1913	1946
Germany	1871	1919
Ireland	1918	1923
UK	1918	1928
Denmark	1849 ^a	1918
Norway	1900	1915
Sweden	1909	1921
Finland	1907	1907
Austria	1907	1919
Switzerland	1848	1971
Australia	1902 ^a	1902 ^a
New Zealand	1879 ^b	1893 ^b
Canada	1920	1920
USA	1860 ^b	1920

^a with significant restrictions.

^b largely restricted to Europeans/whites.

Male and universal suffrage



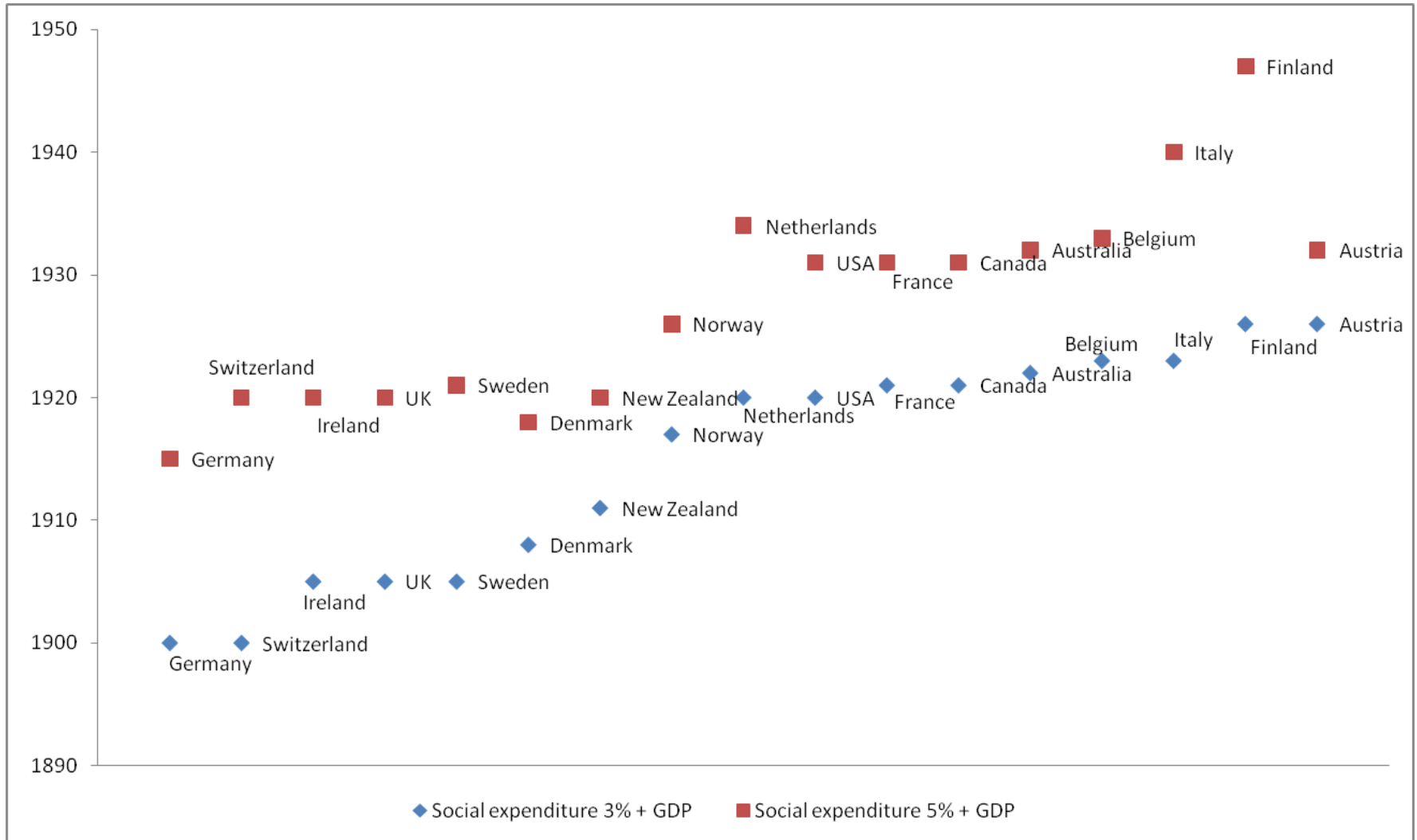
Welfare state innovators

	<i>First</i>	<i>Second</i>	<i>Third</i>
Industrial accident insurance	Germany (1871)	Switzerland (1881)	Austria (1887)
Health	Germany (1883)	Italy (1886)	Austria (1888)
Pensions	Germany (1889)	Denmark (1891)	France (1895)
Unemployment	France (1905)	Norway (1906)	Denmark (1907)
Family allowances	Austria (1921)	New Zealand (1926)	Belgium (1930)
Male suffrage	France (1848)	Switzerland (1848)	Denmark (1849)
Universal suffrage	New Zealand (1893)	Australia (1902)	Finland (1907)

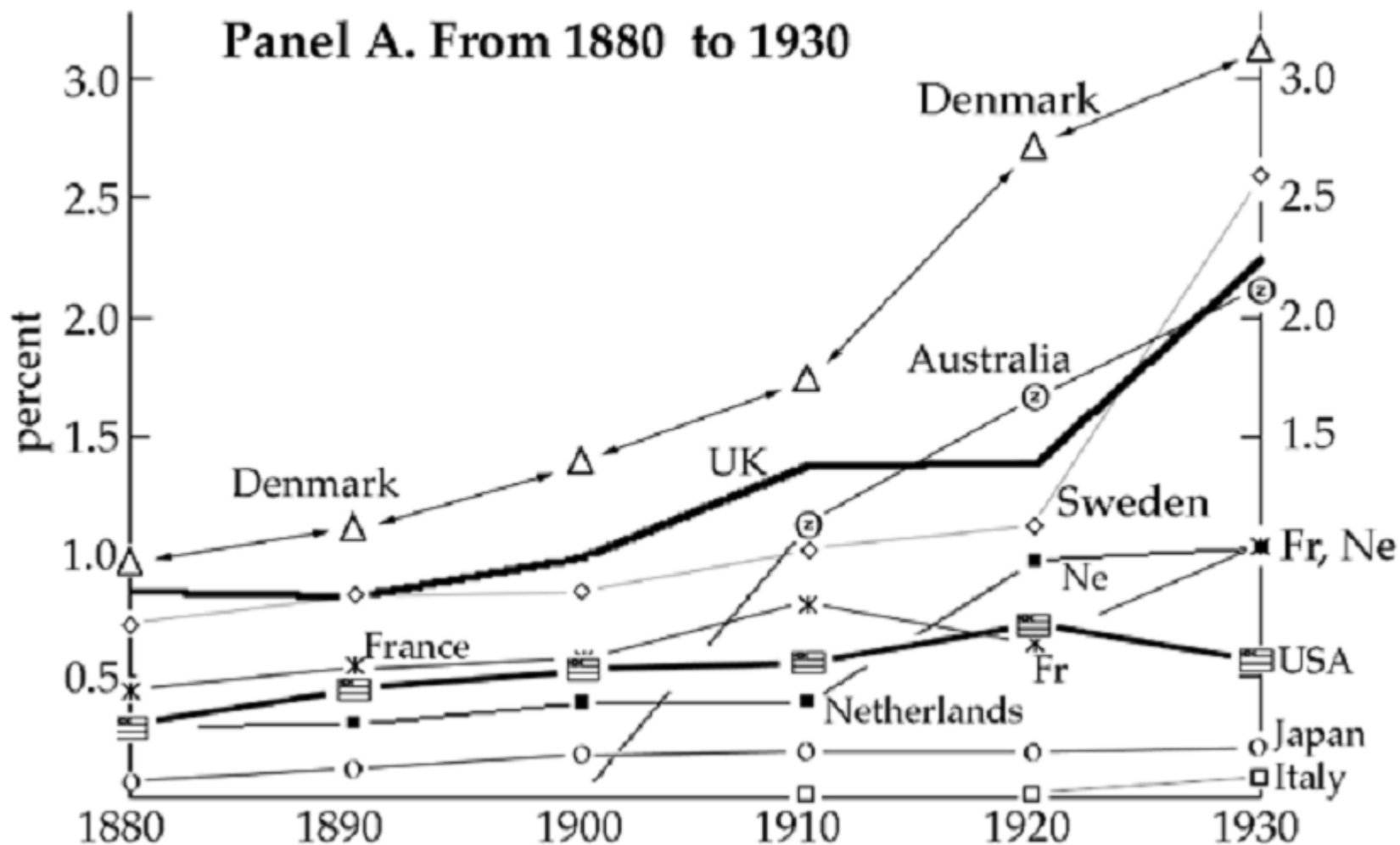
The growth of social expenditure

	<i>Social expenditure 3% + GDP</i>	<i>Social expenditure 5% + GDP</i>
Belgium	1923	1933
Netherlands	1920	1934
France	1921	1931
Italy	1923	1940
Germany	1900	1915
Ireland	1905	1920
UK	1905	1920
Denmark	1908	1918
Norway	1917	1926
Sweden	1905	1921
Finland	1926	1947
Austria	1926	1932
Switzerland	By 1900	1920
Australia	1922	1932
New Zealand	1911	1920
Canada	1921	1931
USA	1920	1931

The growth of social expenditure with 3% GDP and 5% GDP thresholds



Social transfers as a Share of GDP 1880-1930

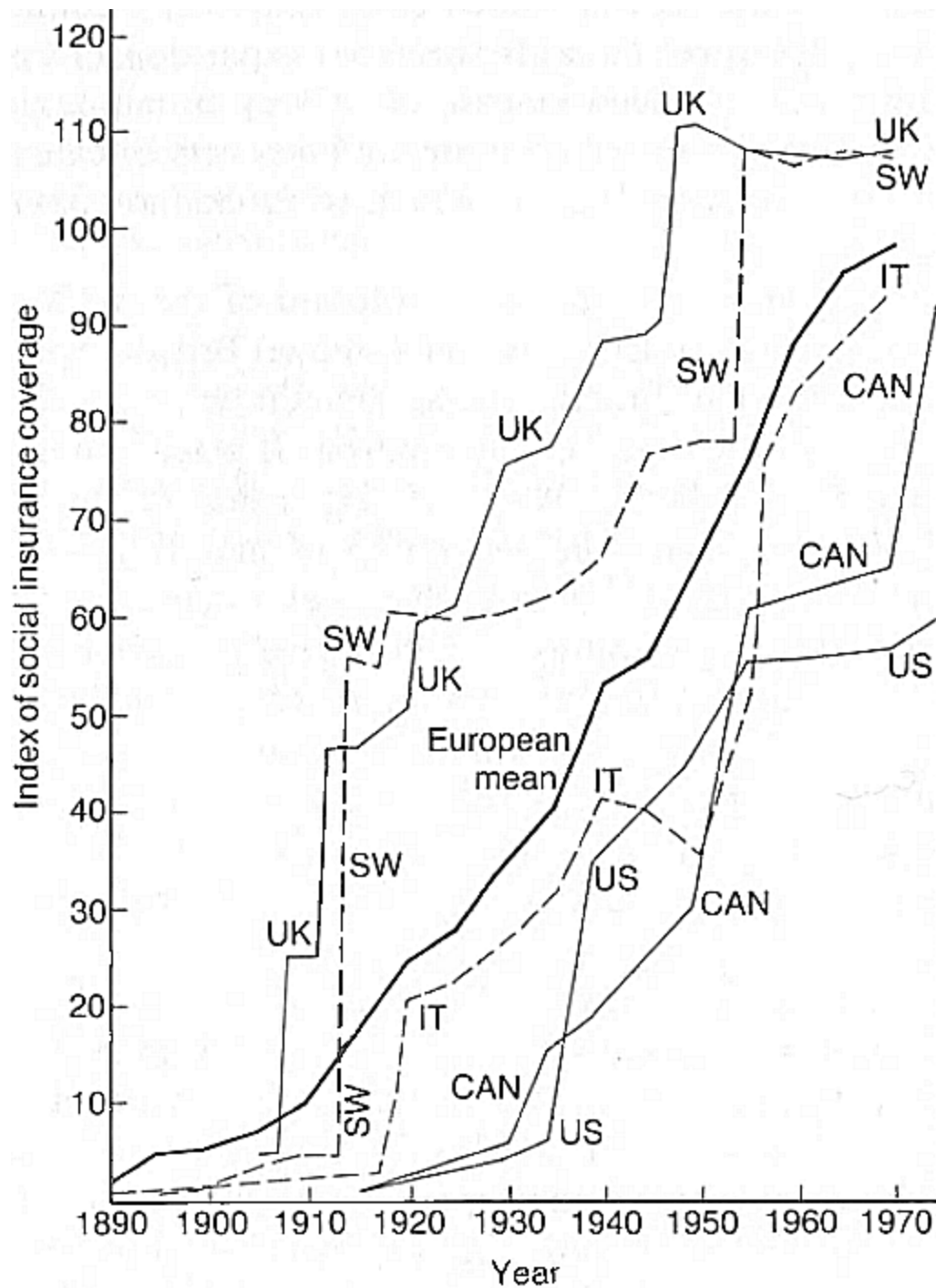


Three sequential patterns - *programmes*

1. First: workmen's compensation for industrial accidents was generally the first measure to be adopted
2. Second: This was followed by sickness and invalidity insurance, (old age) pensions and finally unemployment insurance
3. Third: Some provision for maternity occurred quite early, but family allowances were generally introduced rather later

Three sequential patterns - *coverage*

1. Initially, coverage was limited to workers in particularly strategic industries or in peculiarly dangerous occupations
2. Subsequently extended to cover all industrial workers, thence to rural/agricultural workers and so to dependants and survivors of insured workers
3. Latterly, coverage was extended to the self-employed and thence characteristically to the generality of the population



The growth of social insurance coverage in Western Europe

Three sequential patterns - *expansion*

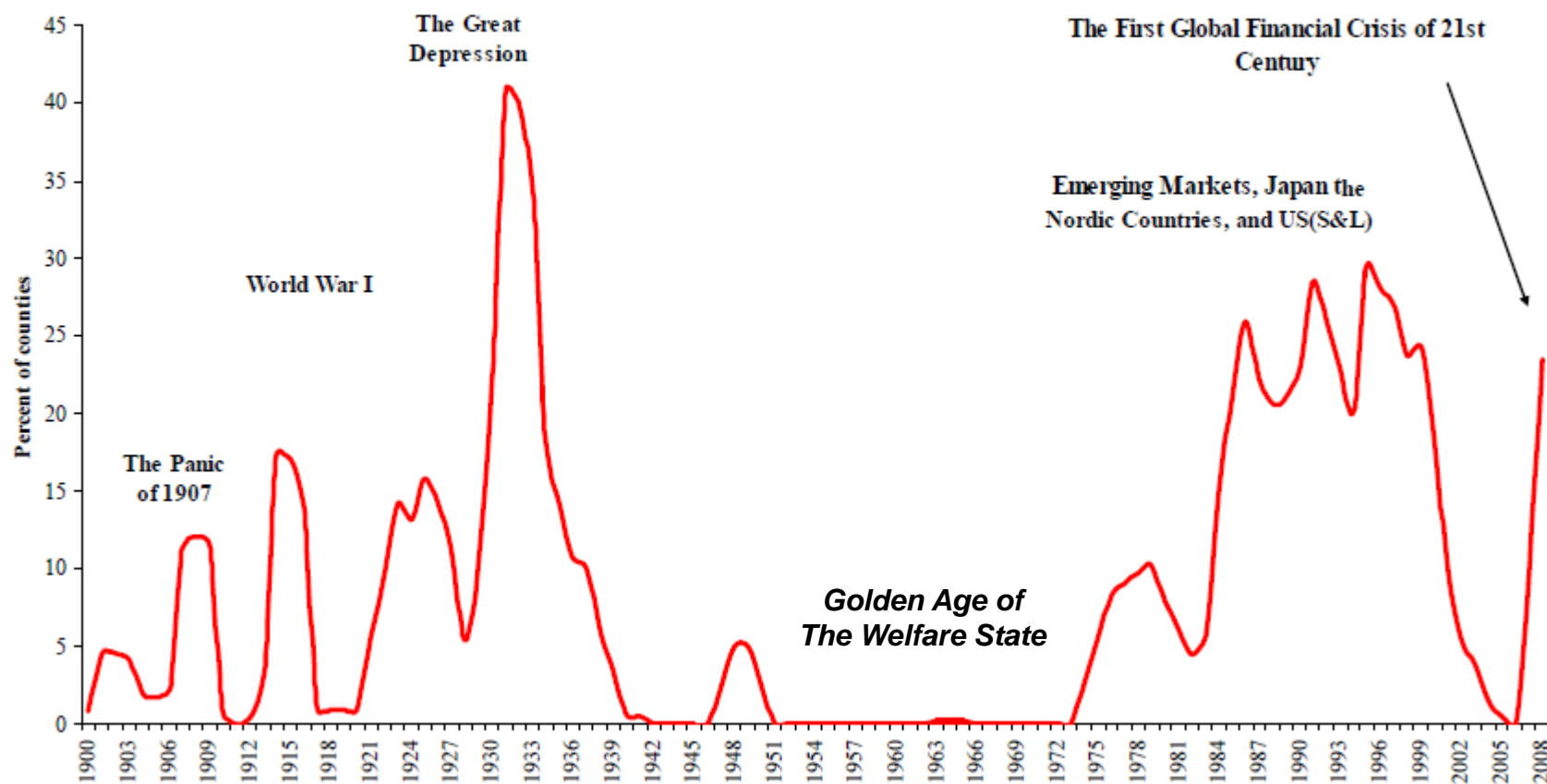
1. Earlier extensions tended to be built upon broadening of criteria of eligibility (making for more beneficiaries) and the legislating of more generous benefits
2. Later enhancements were built upon the less restrictive application of definitions of eligibility and from the late 1950s and 1960s onwards upon the transition from fiat-rate (flat-rate) to earnings-related benefits
3. There was also a general tendency for programmes to proceed from voluntary to compulsory provision

Shared historical pattern in the development of the welfare states

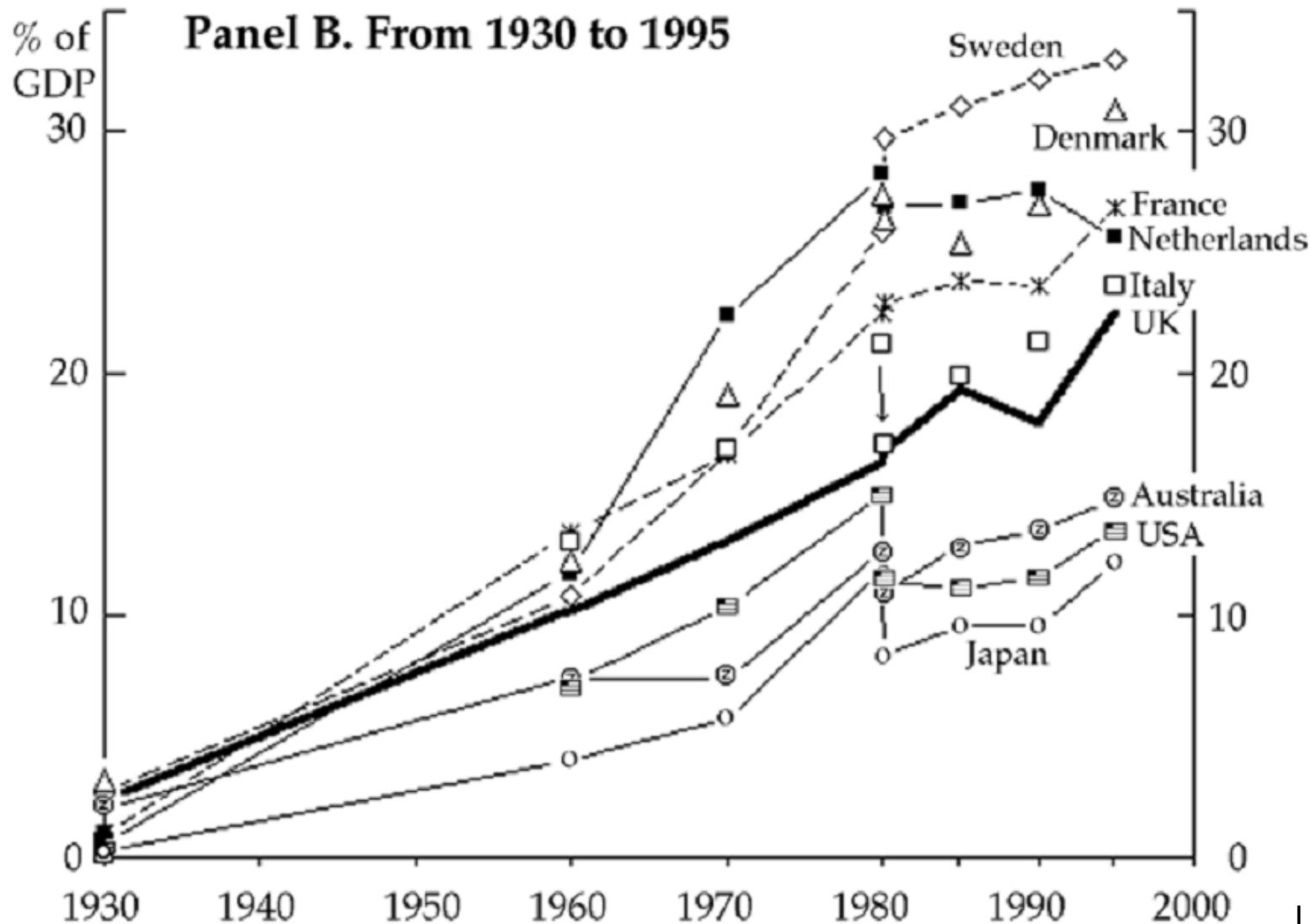
- **1880-1914: The Birth of the Welfare State**
- **1918-1940: 'Consolidation' and Development**
- **1945-1975: 'The Golden Age of the Welfare State'?**
 - **1945-1950: Reconstruction**
 - **1950-1960: Relative Stagnation**
 - **1960-1975: Major Expansion**
- **1975+: From 'Crisis' Through 'Containment' to 'Structural Adjustment' - Retrenchment Era**

Golden age and banking crises

Proportion of Countries with Banking Crises, 1900-2008
Weighted by Their Share of World Income



Growth of the welfare state: social expenditure in GDP perspective



Retrenchment examples

<i>Type of benefit</i>	<i>Change</i>	<i>Examples</i>
Old age pensions	Raising retirement age	UK, New Zealand, Italy, Japan
	Increase in qualifying period for a full pension	France, Portugal, Ireland, Finland
	Lowered basis for upgrading of benefits in line with inflation	UK, France, Spain
	Income testing of pension	Austria, Denmark, Australia
Disability	Stricter test of incapacity	UK, USA, Netherlands, Norway
	New time limits, reduced benefits	UK, USA, Netherlands
Unemployment	Reduction in duration of benefits	Belgium, UK, Denmark, USA
	Reduction in level of benefits	Germany, Ireland, New Zealand, Switzerland
	Reduced eligibility	Netherlands, UK, Belgium
Family allowances	Declining real value or decreasing eligibility	UK, Spain, Netherlands

Three worlds of the welfare state reform

	Liberal	Social democratic	Conservative
Political Support for Welfare State	Moderate	High	High
Adjustment Pressures	Moderate	Moderate	High
Reform Agenda	Re-commodification/ cost containment	Cost containment/ recalibration (rationalization)	Cost containment/ recalibration (updating)
Line of Conflict	Neoliberal retrenchment vs. compensated commodification	No dominant cleavage Negotiated, incremental adjustment	'Stand Pat' vs. Negotiated Reform
Distinct Key Variables	Concentration of political authority		Vulnerability of centrist reform organizations to 'poaching'

What we have learned?

- When various countries adopted social programs
- When these programs were expanded or contracted the forms that social policy has taken
- When countries completed their systems of social policy
- Differences in social spending among countries at different points in time
- Which countries have seen significant retrenchment in social policy of what sort

Why has there been such great progress?

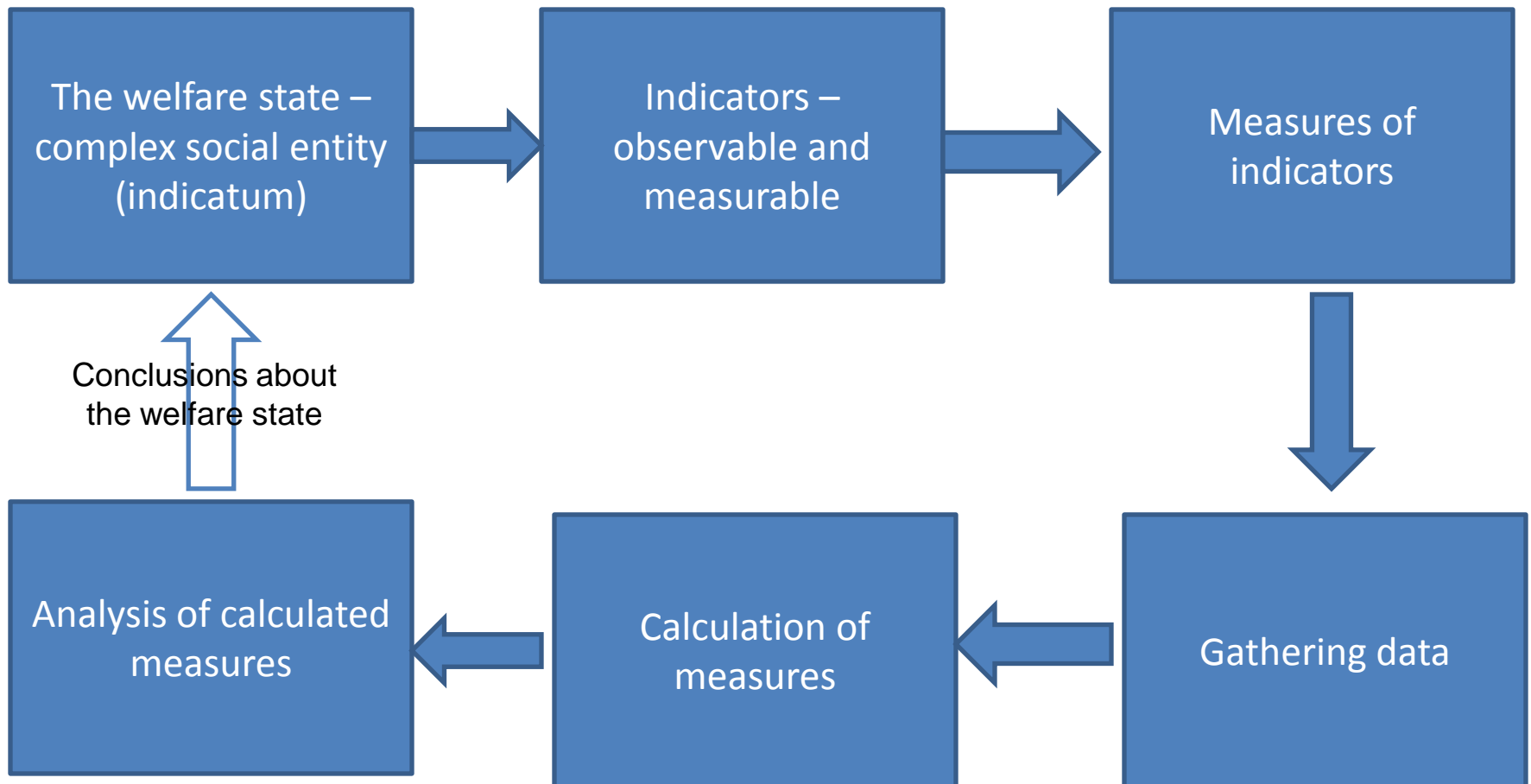
- Broad conceptual agreement on what was important to study
- Scholars disagreed on the theoretical arguments best suited to explain social policy while reaching broad agreement on the set of theoretical arguments deemed worth developing and appraising
- Informational preconditions - the ready availability of extensive historical records and comparative data
- Scholars as individuals and as a group had an open-minded outlook on methodology and theory

Measurement of the Welfare State

Welfare state in social reserach – five steps

1. **Conceptualization** (what is welfare state?)
2. **Operationalization** (what are indicators and measures of the welfare state?)
3. **Measurement** (what data we need to calculate measures and how to obtain it?)
4. **Analysis** (what calculated statistical indicators of the welfare stat tell us about its determinants, priorities and successes?)

From conceptualization to conclusions



Two research perspectives

- **Qualitative perspective**

- Soft data e.g. documents, statements
- Describing historical events
- Analysis of the law in social policy area
- Analysis of experiences of politicians, managers, personell and clients of the welfares state

- **Quantitative perspective**

- Hard data, e.g. number of poor people
- Analysis of social programs and social problems in terms of statistical indicators

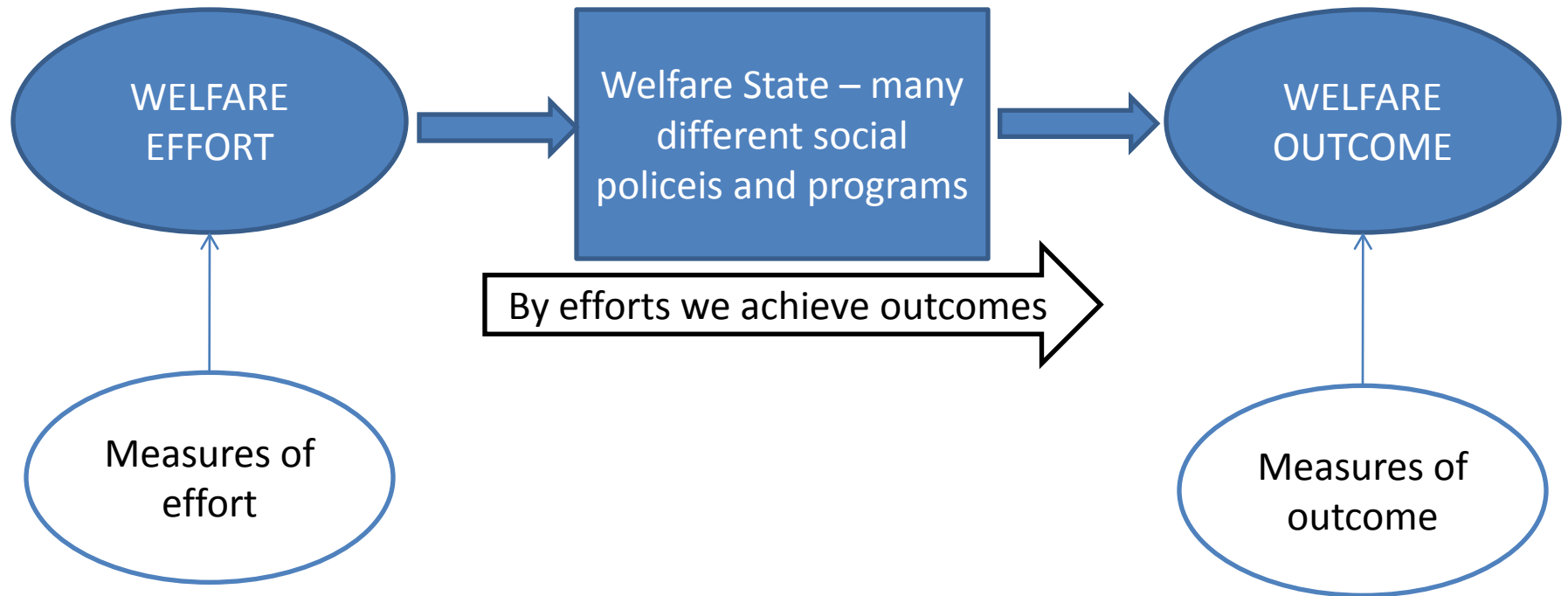
Measurement – for what?

- To make research on the welfare state more quantitative
- To test hypotheses about the welfare state with quantitative methods
- To make social policies management more rational (evidence based)
- To characterize different welfare states
- To compare different welfare states
- To evaluate different welfare states

What to measure – efforts or results?

- **Welfare effort (size)** – how much we spend on social policies
 - Agregated indicators (e.g. sum of spending on 38 social programs in GDP)
 - Disagregated indicators (spending on several different groupings of social programs)
- **Welfare otcomes (success)** – what we achieve in terms of social problems indicators e.g. poverty rate, social exclusion indicator, Gini coefficient (inequality indicator), unemployment rate

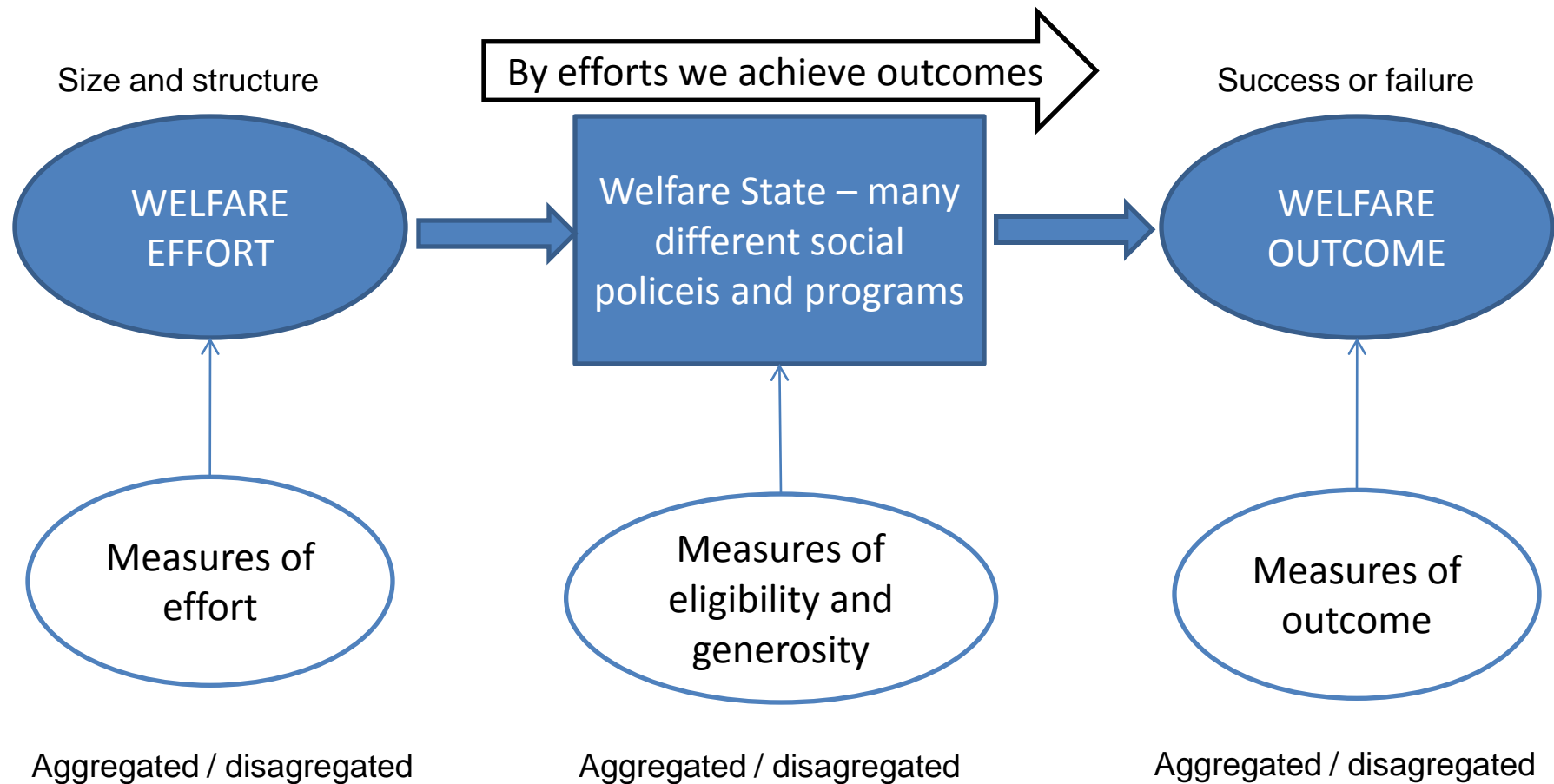
Welfare state size and results



Against aggregated spending indicators

- ‘By scoring welfare states on spending, we assume that all spending counts equally’
 - Spending on policies which fail in extending social citizenship (e.g. programs for already well off, programs stigmatising welfare clients)
 - Spending on policies which are deemed as successful in extending social citizenship (e.g. health care for all, pensions for all elder citizens, minimum income guarantee without stigmatising effects)
- ‘Not all spending counts the same’

Welfare state size and success



How to measure social spending?

1. Find all the social policy programs
 - Cash benefits
 - Social Services
2. Calculate all costs of all social policy programs
3. Add all costs for all social programs
4. Calculate total national income
5. Calculate share of the 3 in 4
6. Express 5 as a percentage

Structure of the SOCX database – public and mandatory private programmes

1. OLD AGE

Cash benefits

Pension

Early retirement pension

Other cash benefits

Benefits in kind

Residential care / Home-help services

Other benefits in kind

2. SURVIVORS

Cash benefits

Pension

Other cash benefits

Benefits in kind

Funeral expenses

Other benefits in kind

3. INCAPACITY-RELATED BENEFITS

Cash benefits

Disability pensions

Pensions (occupational injury and disease)

Paid sick leave (occupational injury and disease)

Paid sick leave (other sickness daily allowances)

Other cash benefits

Benefits in kind

Residential care / Home-help services

Rehabilitation services

Other benefits in kind

4. HEALTH

Benefits in kind

5. FAMILY

Cash benefits

Family allowances

Maternity and parental leave

Other cash benefits

Benefits in kind

Day care / Home-help services

Other benefits in kind

6. ACTIVE LABOUR MARKET PROGRAMMES

Employment service and administration

Labour market training

Youth measures

Subsidised employment

Employment measures for disabled

7. UNEMPLOYMENT

Cash benefits

Unemployment compensation / severance pay

Early retirement for labour market reasons

Benefits in kind

8. HOUSING

Benefits in kind

Housing assistance

Other benefits in kind

9. OTHER SOCIAL POLICY AREAS

Cash benefits

Income maintenance

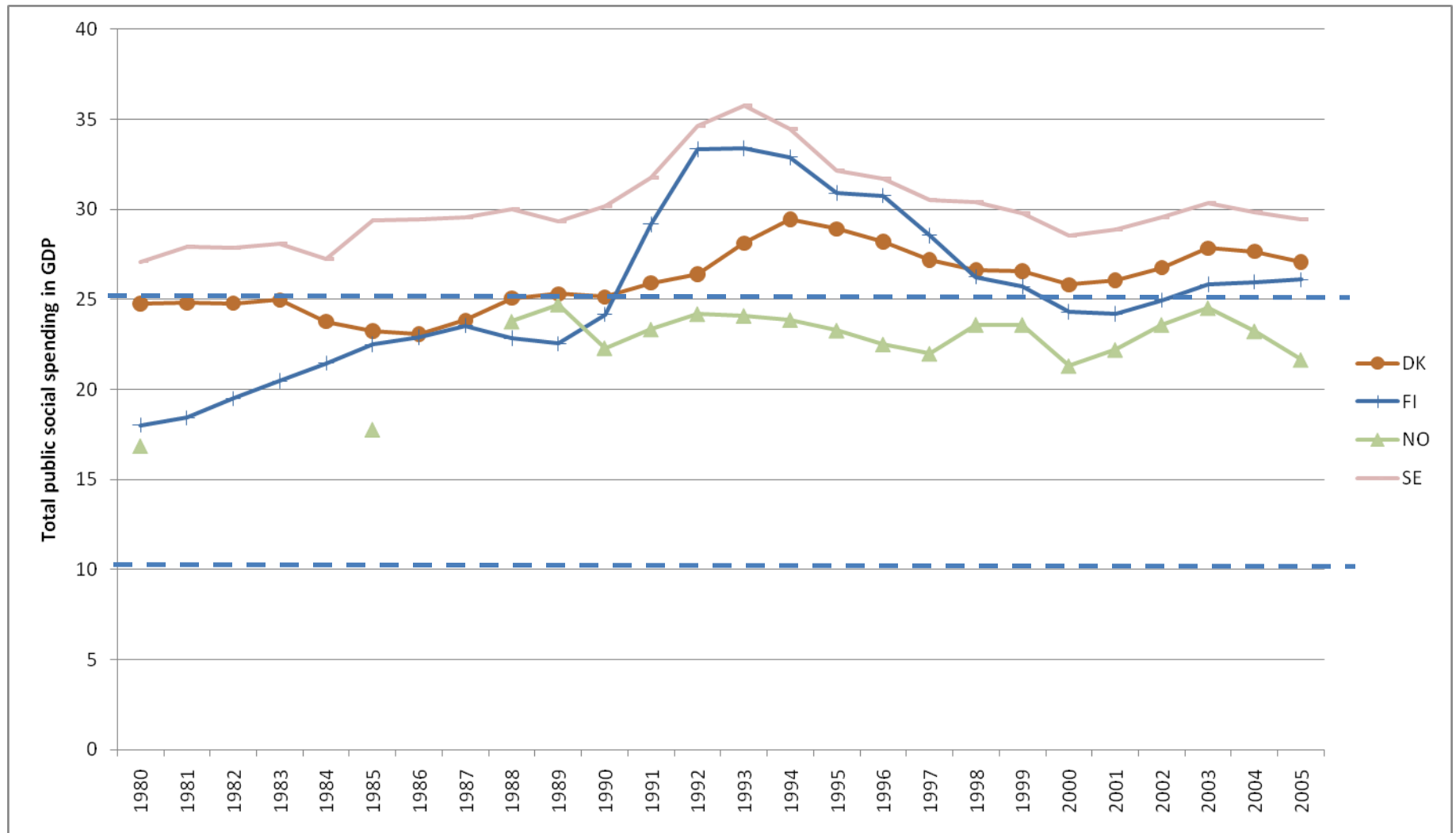
Other cash benefits

Benefits in kind

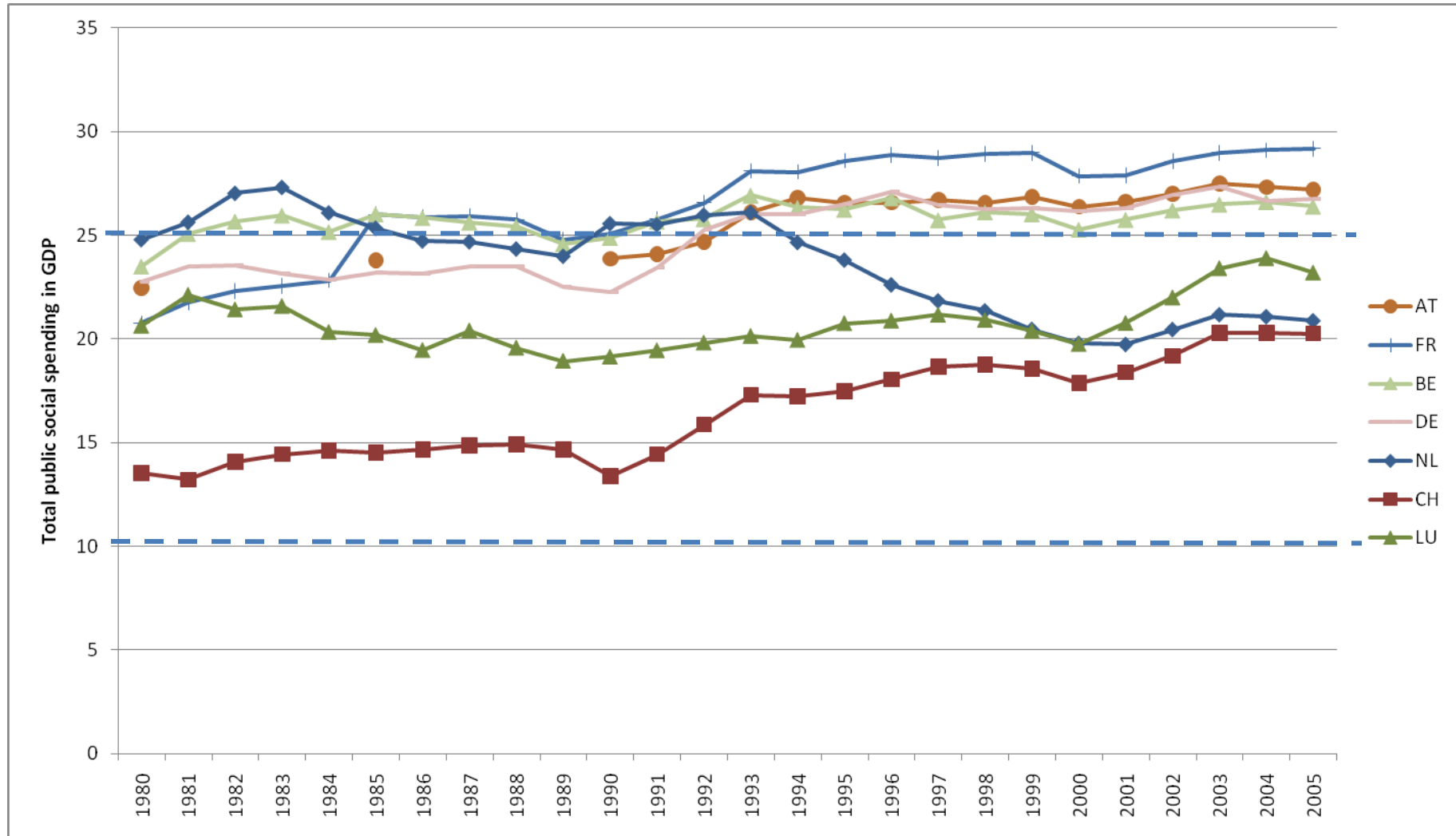
Social assistance

Other benefits in kind

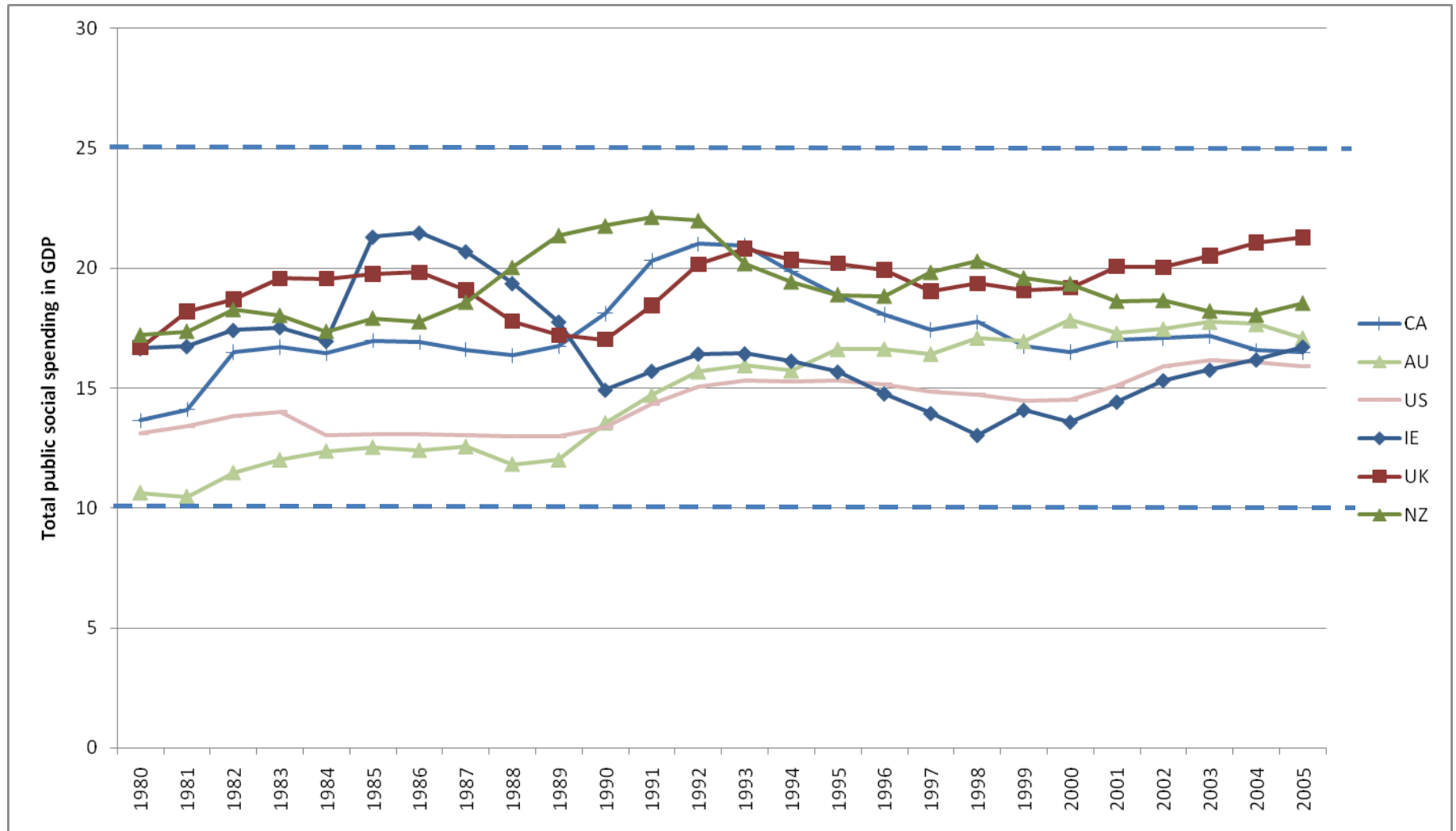
Public social spending in GDP – Nordic countries



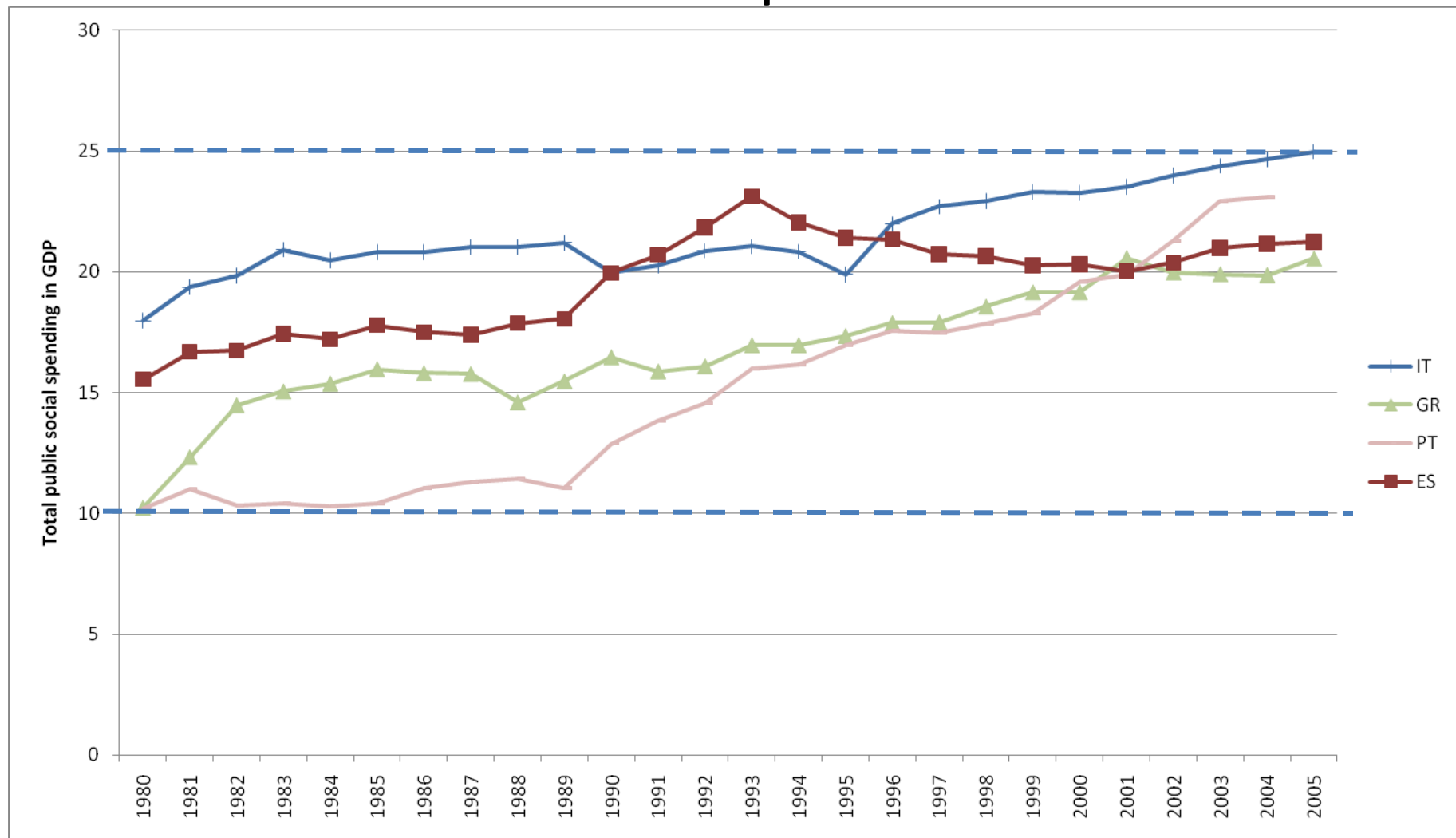
Public social spending in GDP – continental Europe



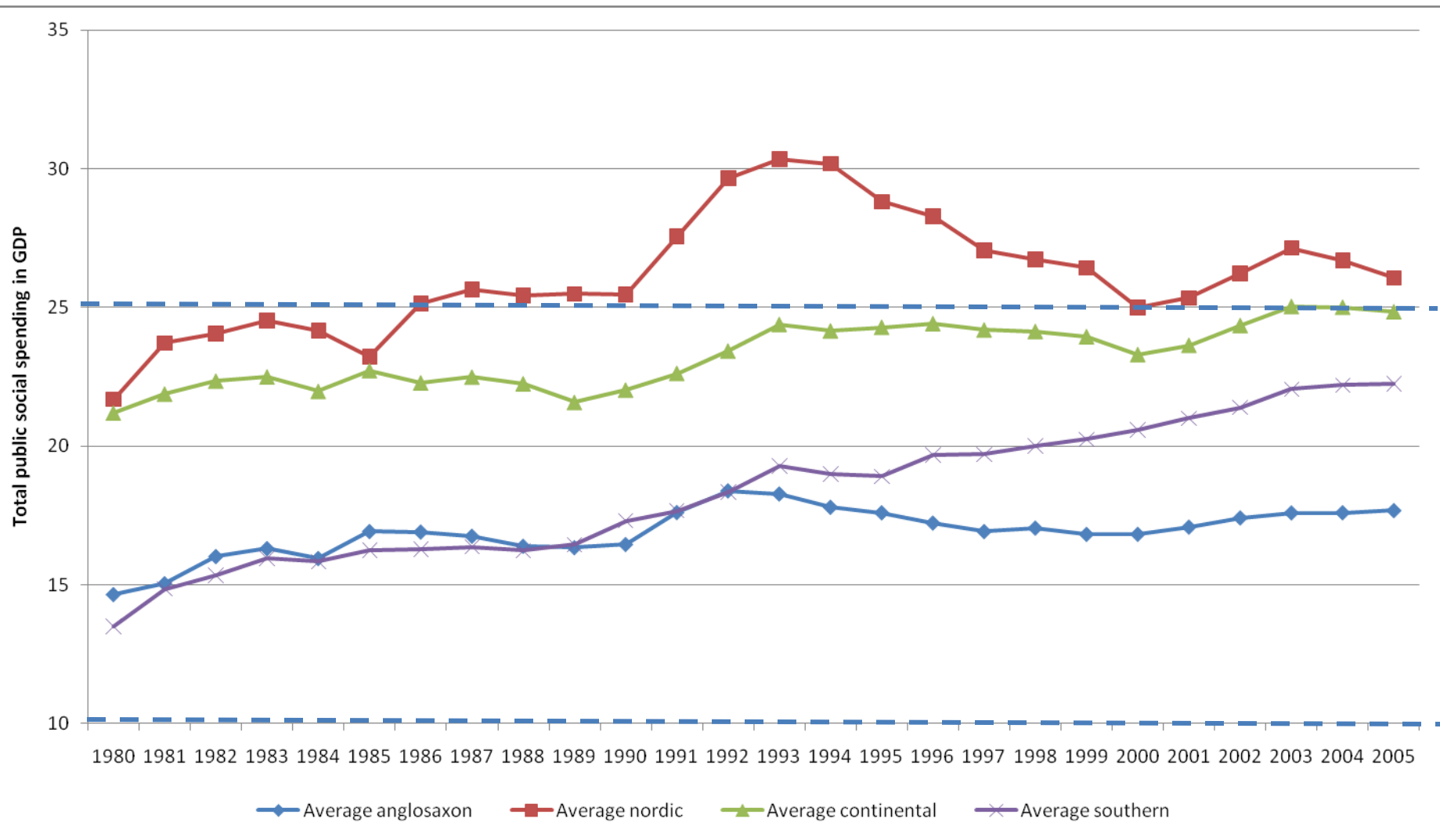
Public social spending in GDP – anglosaxon countries



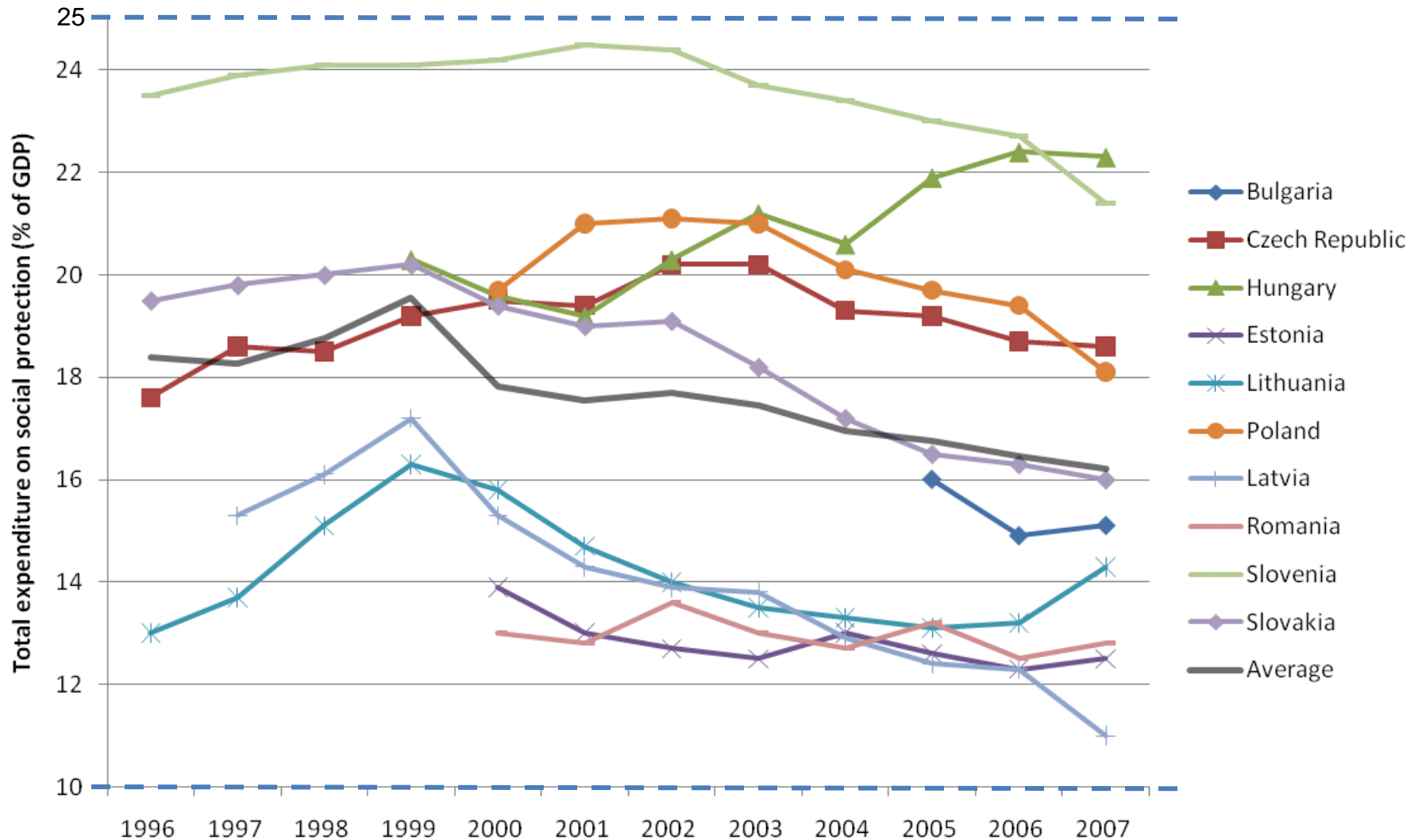
Public social spending in GDP – southern Europe



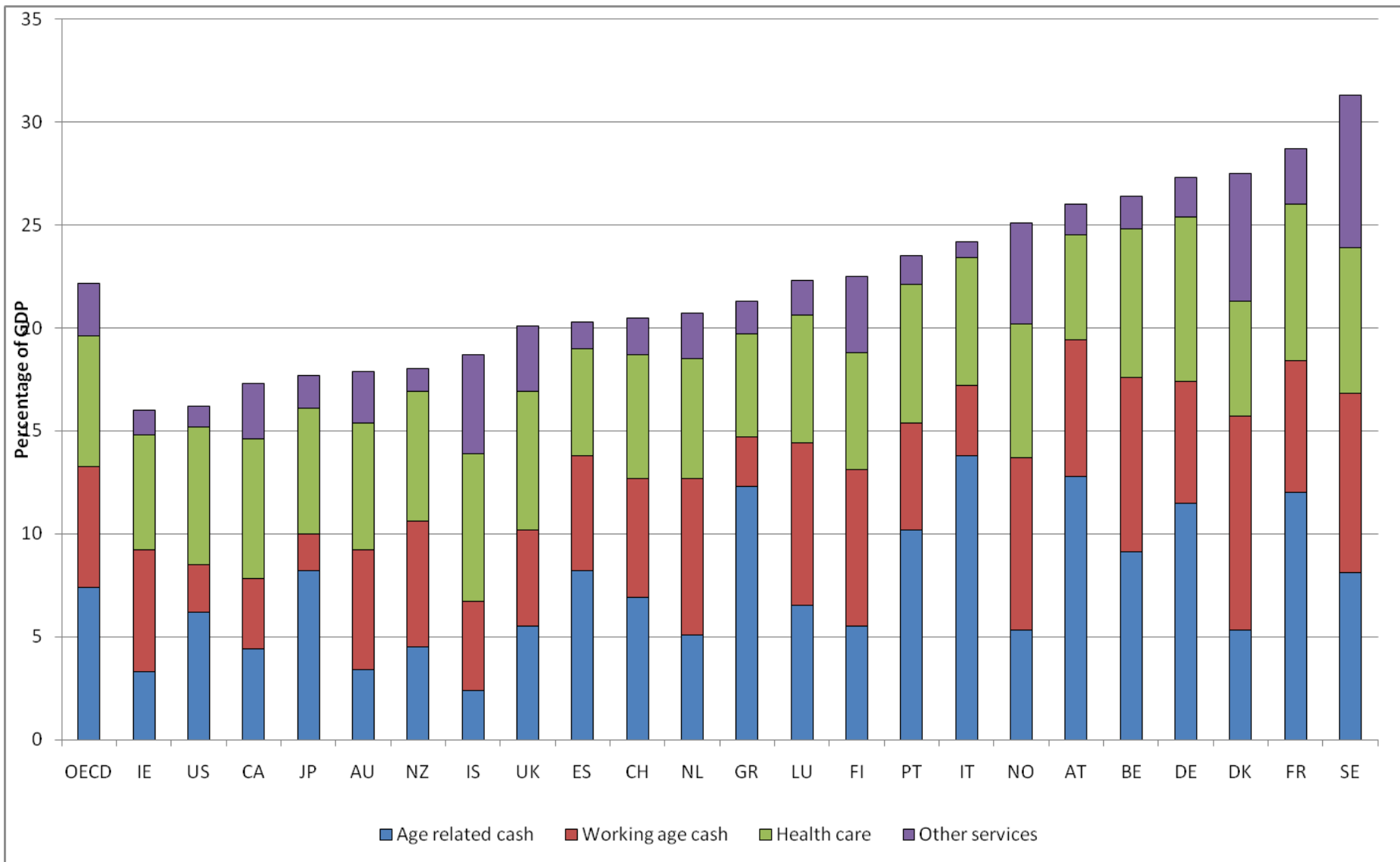
Comparison of averages



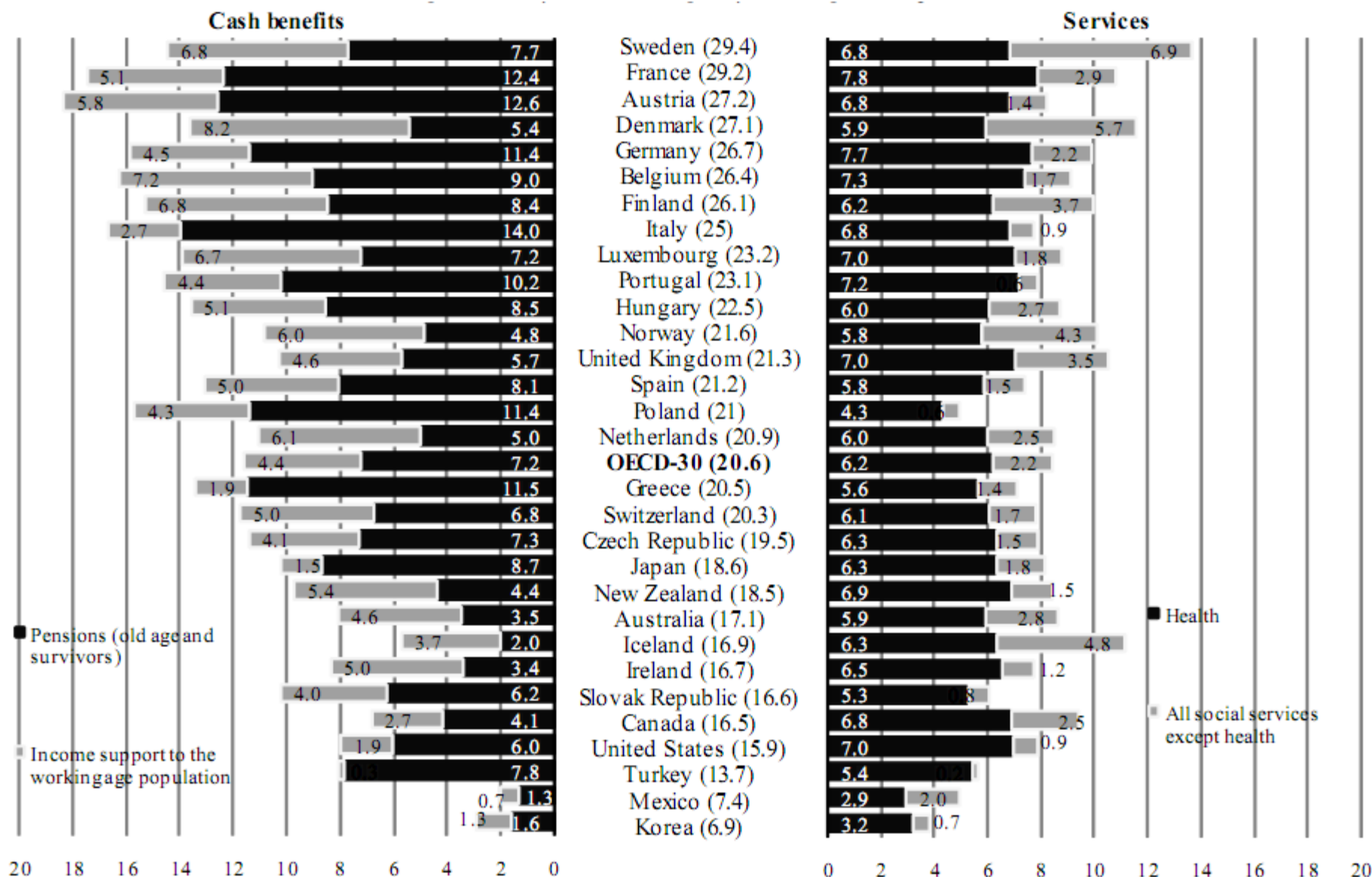
Postcommunist world



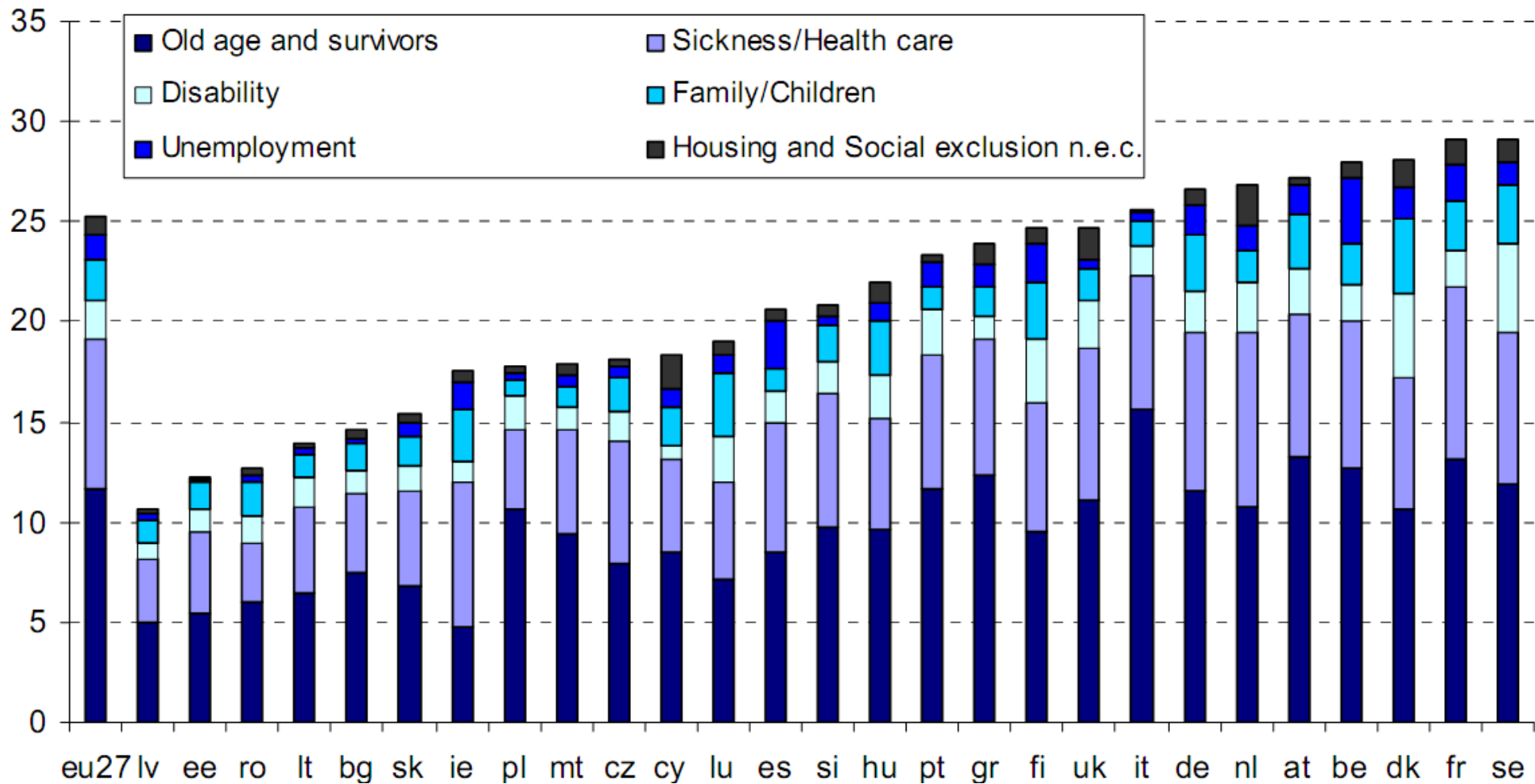
Social spending in OECD – total and disaggregated on four categories



Public social expenditure by broad social policy area, 2005



Social spending in EU – total and on six programs

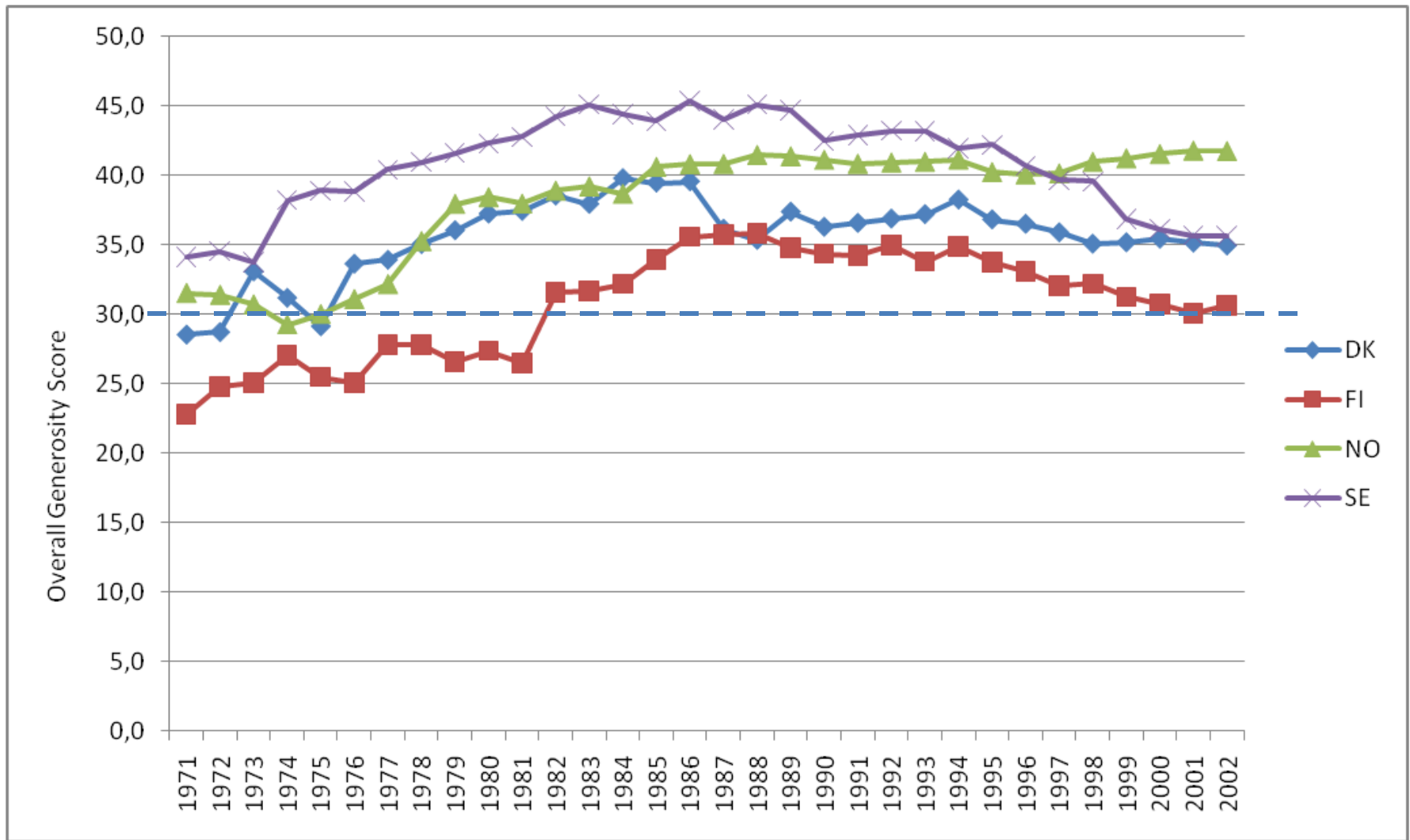


data for 2007, EU Report, 2010

Welfare state generosity idea

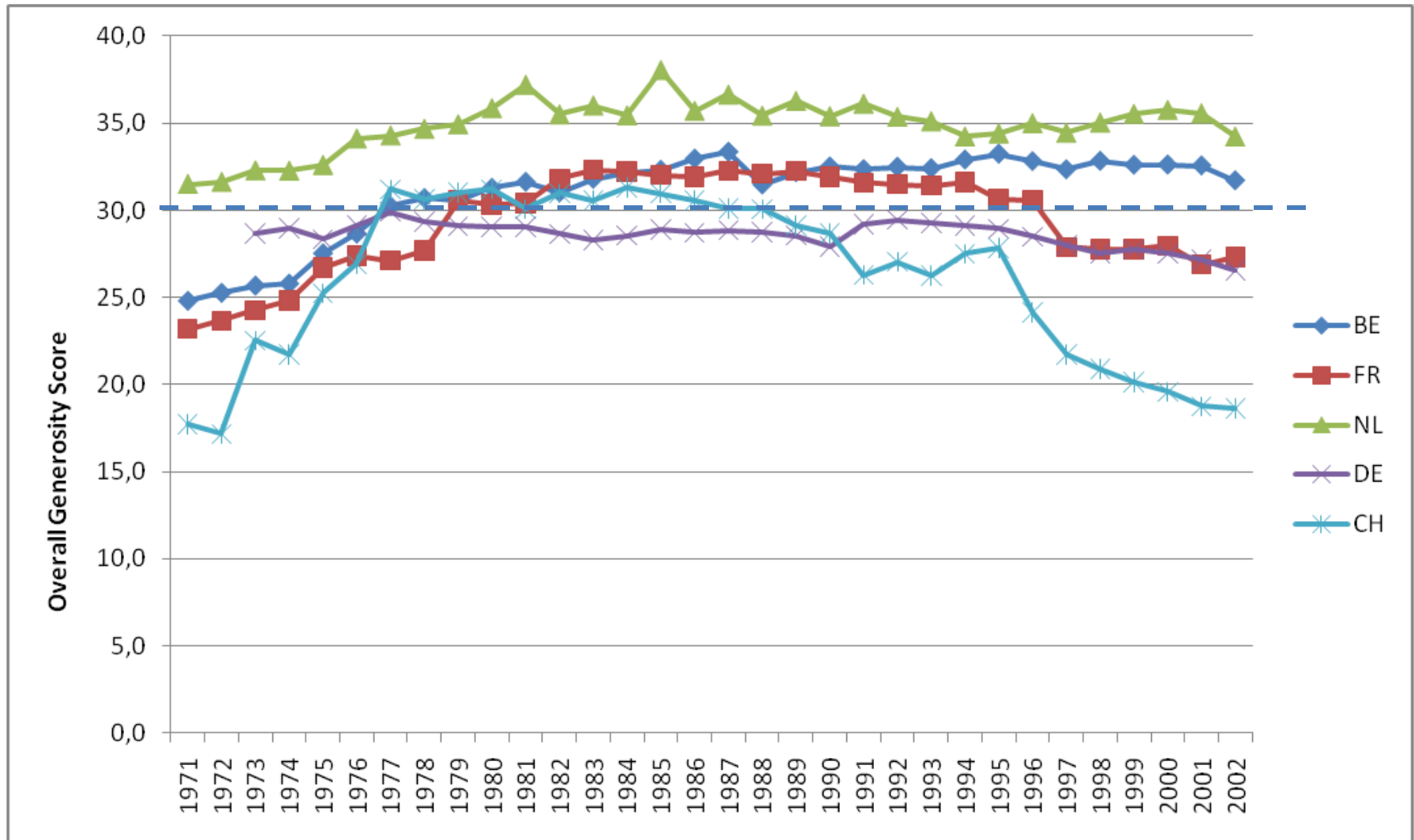
- Replacement rate: if my wage was 500\$ a week when I was working, after I was fired I am entitled to unemployment benefit at 200\$, so replacement rate in that case is $200/500 * 100\% = 40\%$ (the higher rate, the more generous scheme)
- Number of unemployed receiving unemployment benefits could be 100% or less (coverage, take-up, the higher coverage, the more generous scheme)
- Unemployment benefits could be paid over the longer or shorter period (the longer, the more generous scheme)

Welfare state generosity trends – Nordic countries



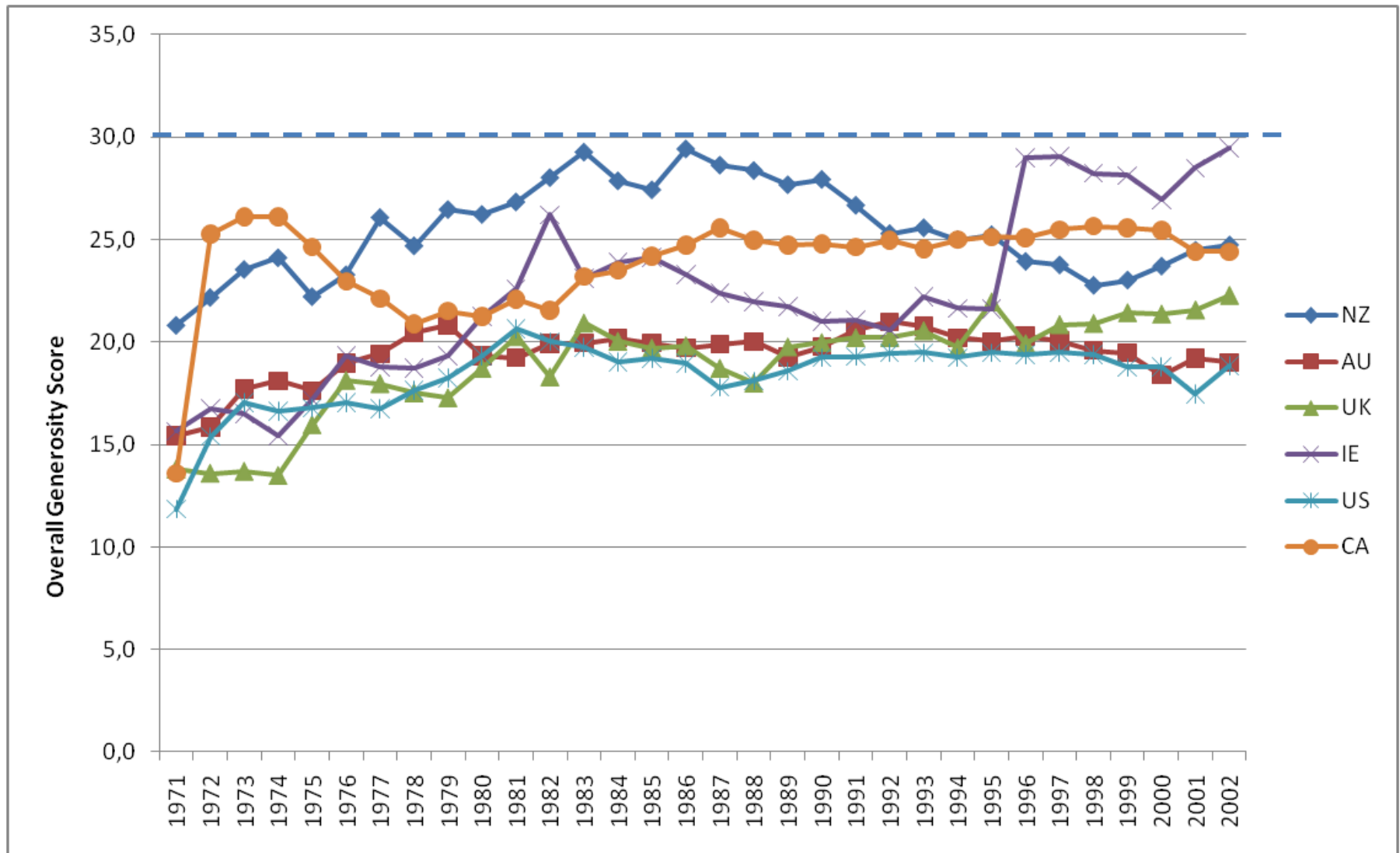
Unemployment benefits, sickness benefits and pensions generosity combined together, L. Scruggs database

Welfare state generosity trends – continental Europe



Unemployment benefits, sickness benefits and pensions generosity combined together, L. Scruggs database

Welfare state generosity trends – anglosaxon countries

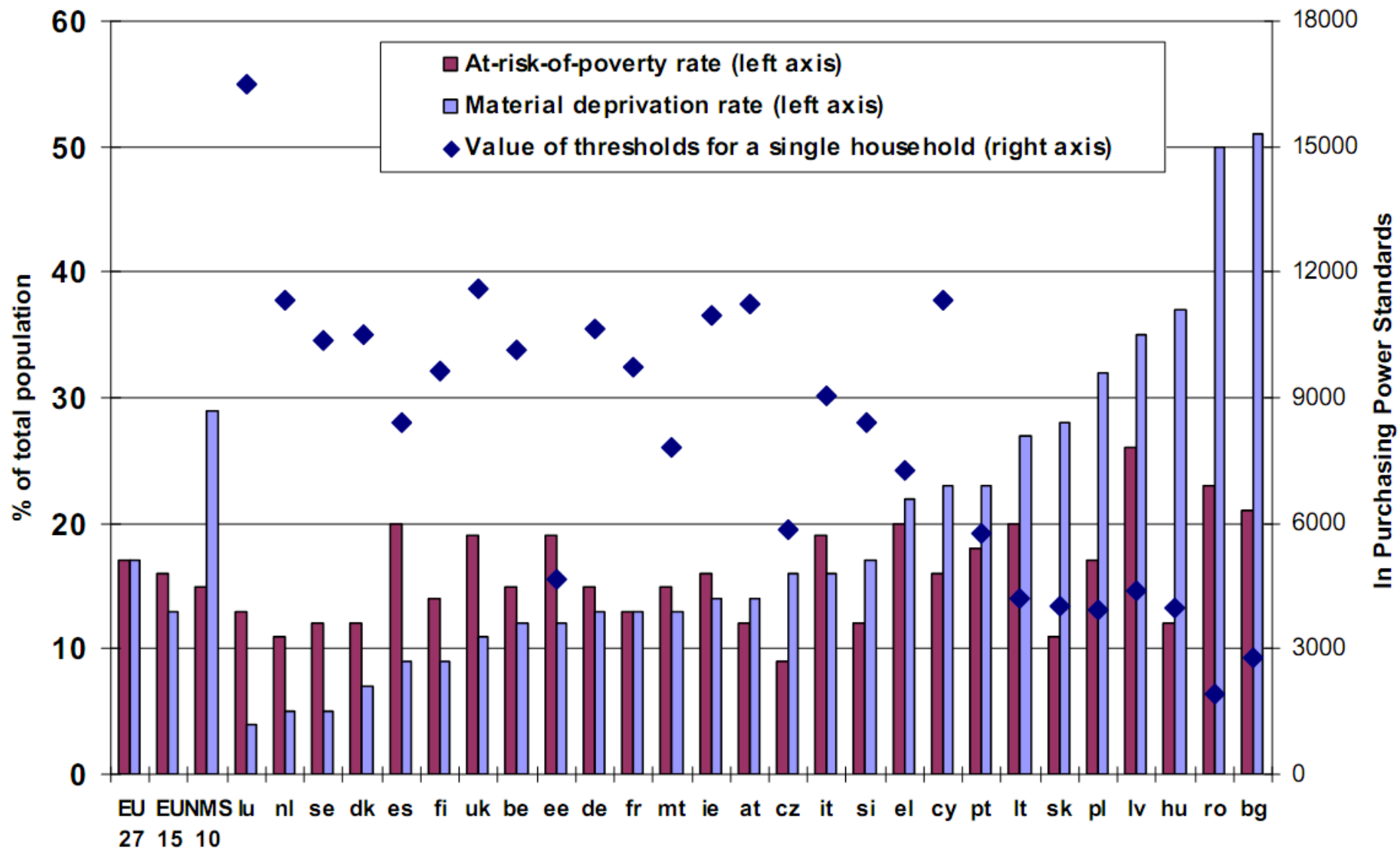


Unemployment benefits, sickness benefits and pensions generosity combined together, L. Scruggs database

Welfare state outcome measurement

- Welfare state – for what?
 - To reduce poverty
 - To reduce inequality
 - To reduce social exclusion
- What is success then? When poverty, inequality and social exclusion are minimalized
- If we can measure poverty, inequality and social exclusion, then we can see what results the welfare states have

Poverty and material deprivation



Poverty reduction rate

